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# THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE  
BRITISH COMMONWEALTH

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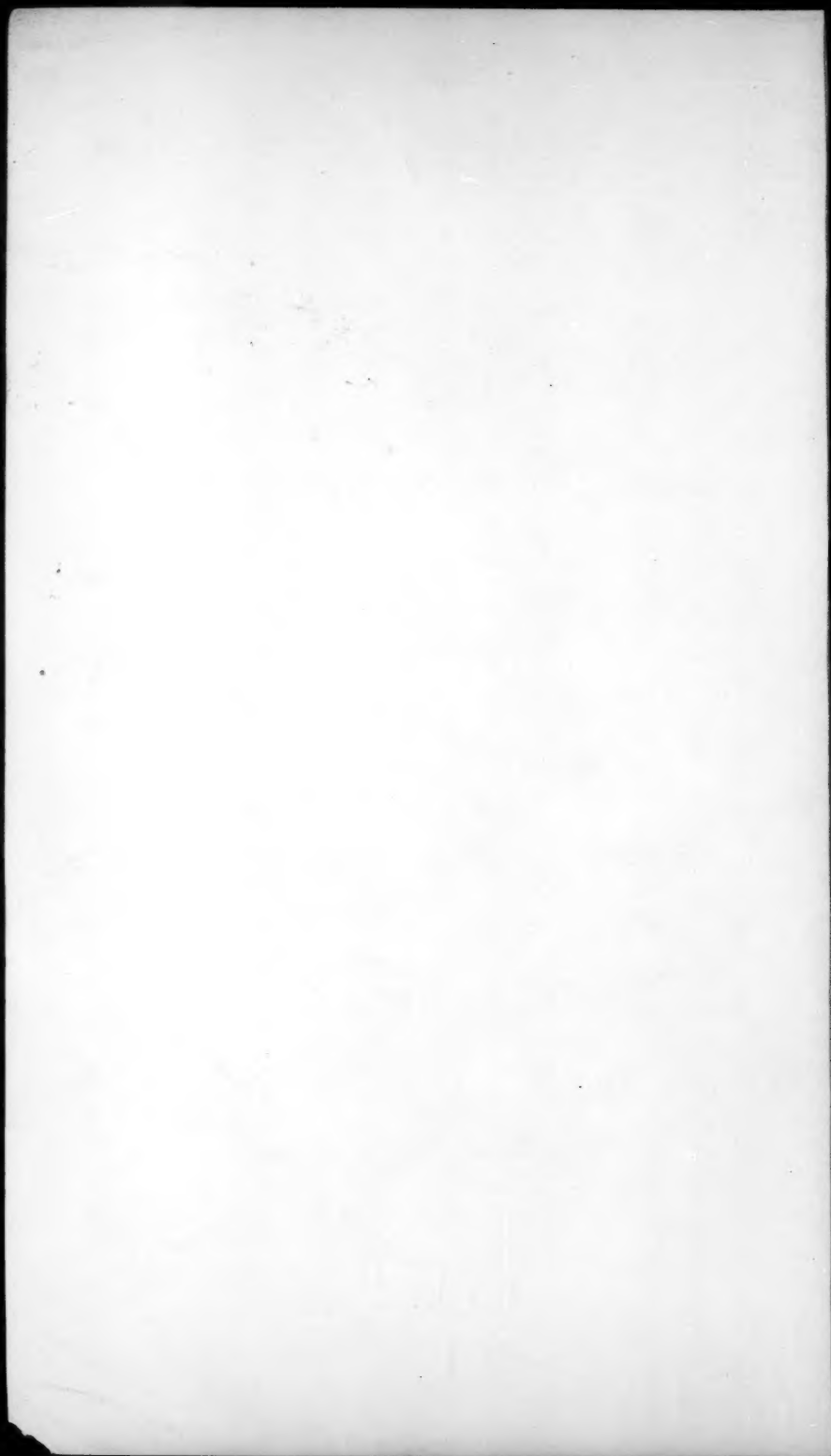
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## THE NEW PROBLEM OF AFRICA

**F**OR the last fifty years people have thought of South Africa mainly in terms of gold mines, diamond mines, or the long contention between Briton and Boer for dominion in the land. There have, however, always been other issues underlying these surface problems, and in the last few years these issues and others due to the opening up of Central Africa have been steadily coming to the front. Diamonds and gold are ceasing to occupy the centre of the economic stage. The Dutch and the British have found a basis of reconciliation in the Union constitution, and the new concept of the British Commonwealth, even though racialism is still the strongest element in local party politics. The native problem is now coming to be the major preoccupation of the people, while the rapid settlement of the white man in the territories north of the Union, so many of which have been brought within the orbit of the British Empire, is widening immensely the scope of what used to be called the South African problem. Public opinion both in Africa and elsewhere has failed as yet to readjust itself to these changes. It is the object of this article to try to set forth the basic elements in this new situation.

### I. THE AFRICAN HIGHLANDS

**T**HE main characteristic of Africa south of the Equator is that nearly the whole country, except the Congo basin and a narrow belt on the East coast, is a plateau

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averaging some 4,000 feet above the sea. This plateau stretches across the whole country for some 2,000 miles northwards from Cape Town to the neighbourhood of the Great Lakes and thereafter runs like a double backbone up the eastern side of the continent to Abyssinia, some 1,000 miles further to the north. At the southern end of Africa and in the temperate zone there is a good deal of half-desert (karroo) country, just as in the northern part much of it is too low and unhealthy or too thickly populated with natives to be called a white man's country. North of the tropic of Capricorn (22 degrees), however, rain is mostly abundant and everywhere it falls mainly during the summer or hot season. These two facts, the height above the sea and the summer rains, make the climate over an enormous extent of the plateau temperate rather than tropical in character and therefore as suitable for white colonisation as that of many lands in the temperate zone. The Congo basin, West Africa and the coastal belt of East Africa north of Natal are tropical countries. South Africa and much of East-Central Africa are, from the point of view of colonisation, within the temperate zone. This is the first fact to be realised about that vast region, nearly as large as two-thirds of Europe, which may be called the highlands of Africa.

The second fact is that these highlands are extraordinarily sparsely peopled by the aboriginal races. Though Europe has a population of 450,000,000, the African highlands probably do not contain more than 25,000,000 native inhabitants, and even that population is very unevenly distributed. There are, on an estimate, about five million natives in the Union, mostly in the coast belt, and 800,000 in the three protectorates. The last available official estimates or census returns show 944,820 in Southern Rhodesia (1926), 1,106,530 in Northern Rhodesia (1925), 1,210,340 in Nyasaland (1924), four million in Tanganyika (1921), 3,136,760 in Uganda (1924), and 2,500,000 in Kenya (1925). This gives a total of nearly eighteen million, to which must be added, say, another six million for the

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inhabitants of Angola and that strip of the Belgian Congo which forms part of the highlands.\*

The third fact to be realised is that the white man is colonising the highlands from north to south and at a steadily increasing speed. At all stages of its history since its discovery people have believed that the colonisation of Africa would go thus far and no further. At one time the limits were believed to be the Hottentots Holland mountains beyond the Cape flats. Yet settlers pushed on to the lower karroo and to Grahamstown. Then the limits were set at the Orange River. But the voortrekkers went to the Limpopo. Then it was said that tropical Africa was uncolonisable. Yet Cecil Rhodes in the south and Sir Charles Eliot in Kenya falsified the prophecy. There were, according to the most recent official figures obtainable, 1,672,100 whites in the Union (1926), 39,186 in Southern Rhodesia (1926), 4,424 in Northern Rhodesia (1925), 1,462 in Nyasaland (1924), about 4,000 in Tanganyika (1927), 1,451 in Uganda (1925), and 12,500 in Kenya (1925). Most of the figures would naturally be considerably larger to-day as the numbers are steadily growing everywhere.\*

The reason why white colonisation in those sections of the highlands which lie within the tropics is steadily increasing is not far to seek. The white man enters first as a government official or a missionary. Neither the officials nor the missionaries, however, come as colonists. As in tropical West Africa or India, they have no intention of acquiring domicile or of bringing up their children in the country. Their "homes" are elsewhere. But they are soon followed by others, by prospectors, traders, adventurous settlers, who spy out the economic prospects of the land. Ere long valuable minerals, such as the vast copper and lead deposits of Rhodesia, or land suitable for growing

\* It is difficult to obtain really accurate figures about the population of the highlands. Many of those given above, as the dates show, are already out of date. Northern Rhodesia, for instance, in so far as the whites are concerned, is known to have already at least 5,000, and we are told that the whites in Kenya probably amount to-day to 13,000.

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profitable export crops, such as tobacco, or sisal, or coffee, as in East Africa, are discovered ; capital and skilled workers follow to develop the mines or plantations, and to build railways and towns. Farmers flock in to supply the needs of the workers in the towns, mines and railways, and a new type of merchant enters in the trail of these.

So the process goes on. But everywhere in the higher parts of the highlands the white man finds a country in which he can settle. The climate is extremely pleasant, except in the steamy valleys. Labour is cheap and plentiful. Tropical diseases begin to yield before civilisation. Above all, his wife finds life easier, owing to cheap domestic service, than she can find it in some other colonies and Dominions, and children thrive if reasonably looked after. The first immigrants may not have meant to make the country their home. But ere long they begin to do so, schools are created for their children, the *animus revertendi* grows less, while the difficulties of removal grow greater, and in a very few years there is a genuine colony of white men and women who regard the country as their permanent home.

It is too early as yet to estimate what the ultimate destiny of the white man on the highlands of tropical Africa will be. Some people believe that he will deteriorate for subtle climatic reasons. Others believe that he will be demoralised by constant contact with the native. Others again believe that he will rise above his moral difficulties, that modern scientific discovery will protect him from the attacks of nature, and that the highlands in the tropics will eventually be peopled by a large white population, as vigorous as the sturdy Boer and British stock which has survived three generations of African conditions in the South. This article is not concerned to judge between these conflicting views. Its sole purpose is to emphasise the fact that the white man is colonising these territories from South Africa right up to the Abyssinian border in increasing numbers, that the nature of the climate, the sparseness of the native population, and the high elevation of so much

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of the country make it possible for him to continue to do so, and that, whether he will eventually succeed or not, he is making an attempt to create a new land for white settlement in an area two-thirds as large as Europe and stretching from the Equator to the Cape.\*

### II. A NEW DOMINION?

**W**HAT attitude ought the outside world to take towards this tremendous experiment?

Speaking broadly, there are two points of view from which it has usually been approached. There has been the point of view of those who are primarily concerned with the future of the native, and the point of view of those who have been primarily concerned with the future of the white race.

The first school of thought feels that Africa, south of the Sahara and north of the extreme South, belongs as of right to the negro peoples, and that the white man is in essence an intruder. They admit that the white man's presence is necessary to organise stable government, to impart such elements of European knowledge and civilisation as may be useful for the African, and to a limited extent as a trader and as the organiser of new and better methods of native production. Even so he ought only to be a temporary visitor, as he is in the tropical lowlands of Asia, to be gradually eliminated as and when the native peoples are able to dispense with his services and to manage a civilised black Africa for themselves. Nowhere ought the white man to be allowed to colonise. This point of view is strengthened by the recollection of the appalling suffering which the white man has inflicted on the African in the past, by the slave trade, which decimated Africa to secure negro slaves for the West Indies and the United States, and later by excessive appropriation of land in the South and the ex-

\* Note, see Map, pp. 454-455.

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exploitation of natural resources by economic methods and practices suited to Europe and America, but for which the African was not ready. This school believes that if the negro peoples are left to themselves with just enough white supervision and education to tide them over the intermediate period, they will rapidly progress.

The second school of thought is convinced that left alone the native is incapable of progress, because for thousands of years he has never been able to lift himself out of a primitive tribalism, which combined constant war with a mere scratching of the soil, and that the economic development of Africa and the moulding of its native inhabitants into a civilised and progressive and prosperous community can best be accomplished by permanent white colonists, who must therefore control the country, using the native in the first instance mainly as an unskilled labourer. It is true, this school admits, that the process involves great dislocation of native habits and customs and a complete alteration in his status. But that is inevitable. As in the United States, what matters most is the growth of a civilised society and the development of the resources of the country. Further, according to this school, in the long run the native will benefit because contact with and work for the white man is the most effective educational and transforming force, while if he is left to himself he will, in fact, remain in chaos and stagnation. It thinks, therefore, that a hundred years hence the native will be far more advanced where he has been in contact with the white colonist than where he has not, and that the intermediate process, while possibly more painful, is really salutary.

It is not the purpose of this article to try to judge between these points of view. For the future is not going to be settled either by theory or sentiment, but by certain inexorable facts, which no policy and no government can remove or alter.

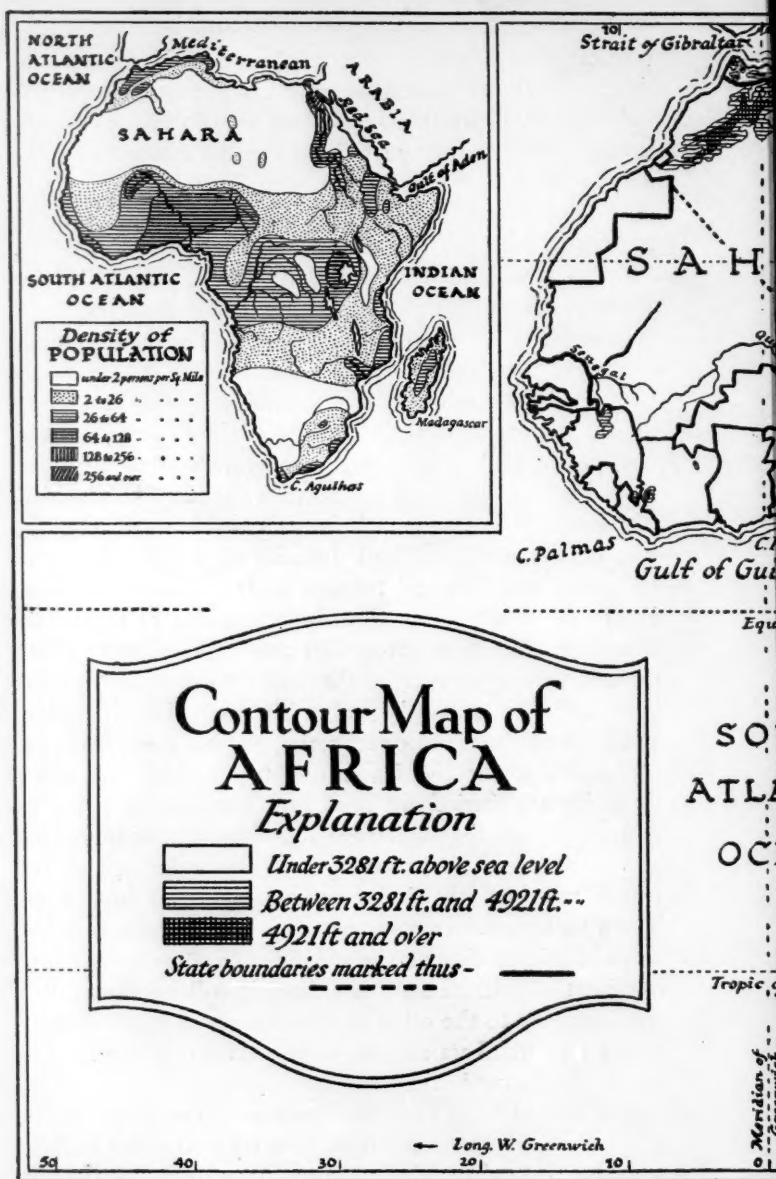
The first fact is this. So far as the Congo basin and

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tropical West Africa are concerned, climatic factors and the density of the population seem likely permanently to prevent white colonisation and, if the native develops rapidly enough, it may prove possible to transfer control over the destiny of the country to substantially native authorities. The same may be true of considerable areas within the highlands. But so far as the highlands as a whole are concerned, whether we think that what may be called the West African policy is a good or a bad one in theory, it is no longer a possible one in practice. The white colonist is already there on the spot. The country is very thinly populated by natives. The natural resources are enormous, and are already in process of development. It is not possible to stop white immigration even into the northern highlands, still less to turn out the 63,000 whites who now dwell in them. It is not possible to say that the vast copper, zinc, and lead deposits of the Rhodesias, or the coffee and sisal and tobacco lands of Kenya and Tanganyika shall not be developed, for millions of capital are already sunk in these enterprises and in the railways which transport these products to the coast for export. For good or evil, the white man has taken his enterprise, his capital, and his family into these territories, and has made his home there. Whatever the far future may unfold, the white man, for any period we need now consider, is going to mine, cultivate the soil, trade and conduct transportation as a colonist and not as a temporary visitor throughout the length and breadth of the African highlands from Cape Town to Kenya. In some parts he will be thick, in other parts he will be thin on the ground. In some parts white immigration will be fast, in others it will be slow. But from one end to the other of this vast area he will steadily increase in numbers and for a long time to come he will be the dominant factor thereon.

The second point is no less obvious. The native is not going to be driven out of his old country as the Red Indians and the Australian black fellows have been, to dwindle









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in numbers until he has to be provided for in relatively negligible reserves as an interesting historic survival. The Bantu as we know him may be a primitive barbarian, but he is one of the most virile and persistent of racial stocks in the world. He has withstood transplantation to America, he has withstood the slave trade in Africa, he has withstood his own internecine wars, he has withstood the impact of Western civilisation and complete subordination to the political and economic system of the modern world, and he shows no sign of decline as the Bushmen or the Hottentots have done. On the contrary, slowly and perplexedly he is gradually beginning to understand the magic of the white man's ways, to acquire education and skill, and to demand a more equal status and something like a voice in the higher direction of the land in which only a few decades ago he lived alone. Though his numbers are small compared with the vast spaces which are comprised within the highlands, he still outnumbered the whites by nearly four to one in the Union, and by fourteen to one throughout the highlands as a whole. Nor does there seem to be any likelihood of his not continuing to be the vast majority of the population. As he recovers from the shock of the impact of Western civilisation he is bound to become a steadily more dynamic element in the highlands polity.

### III. BLACK AND WHITE IN AFRICA

THE central problem which confronts the highlands of Africa is neither the future of the native races as some believe, nor the future of the white races as others believe, but to find the basis upon which black and white, with a number of Asiatics and coloured people as well, can live together in a country in course of rapid economic and social development. As already stated, the number of Africans may be taken at 25,000,000, and of Europeans at over 1,700,000, while the Cape coloured people number 500,000

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and the Asiatics about 200,000. The numbers of all these ingredients are increasing, though accurate figures are hard to come by. There is probably no other country in the world which is faced with a race problem so difficult as Southern Africa.

It is quite impossible to discuss this question in all its far-reaching ramifications in an article such as this. But it is essential to realise how difficult of solution the problem is and that it has already reached an acute stage, not only in the Union, but in parts of the northern highlands. It is not for nothing that the revolution of 1922 took place on the Witwatersrand, or that the Colour Bar Bill was passed by the Union Parliament in 1925 over the repeated veto of the Upper House, or that General Hertzog has introduced four Bills dealing with the native problem, or that Kenya has occupied so much space in the newspapers of the world, or that books like Mr. Maurice Evans' *Black and White in South-East Africa*, Lord Olivier's *Anatomy of African Misery*, or Dr. Norman Leys' *Kenya* have recently been written. It is perfectly obvious to any observer that there is a parting of the ways in Southern Africa to-day. If the right road is followed there will gradually be built up in the highlands a community of varied races and colours, with its internal difficulties no doubt, but whose members will be prosperous, progressive, and at peace with one another. If the wrong road is followed there will gradually develop a form of racial strife, on colour lines, both in economics and politics, compared to which the Anglo-Boer contention of the past would be child's play, which will go far to ruin South Africa, and which will eventually ramify all over Africa, and even Asia.

The root of the problem is not difficult to understand. In a country which is suitable for white colonisation, in which the native population is sparse and extremely primitive in its civilisation, it is inevitable that the white man should make the laws, construct the economic organisation, and conduct the government. It is no less inevitable, so

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long as these conditions exist, that the native should be the servant and unskilled labourer, and be separated from the white race by impassable barriers. Where the difference in colour and physiognomy and civilisation is at its maximum, as in the case of Briton and Dutch on the one side, and Bantu on the other, the social, economic, and political gulf between the native and the white man is also at its maximum.

At first the autocracy of the white and the relation of a dependent black proletariat to a white aristocracy does not work badly. There is plenty of room for both; the white man finds his life as an aristocratic owner of property or a supervisor of native labour comfortable and easy; the native finds contact with the white man interesting and exciting, and that service for wages gives him wealth such as he had never dreamt of before, while he can always go back to his kraal where he keeps his wife and children, when he is dissatisfied. But this pleasant state of affairs does not last. After a while land becomes short. Because he is the stronger the white man secures the lion's share. In the Union of South Africa, for instance, over 232 million acres are now held by the whites, under 26 million by the natives. Yet despite this disproportion the white farmer ere long begins to find that he can no longer obtain farms for all his children and relations to live on, and the *bywoner* or poor white—the landless white, unskilled yet debarred from doing unskilled work because Kaffir's work is "infra dig." and because he cannot live on a Kaffir's wage—begins to appear. The native also begins to find the native reserves too small for his needs, and so tends to accumulate as an unskilled urbanised proletariat in the towns, or to become a permanent squatter or a labourer on white men's farms.

The initiation of large scale industry, whether mining or manufacturing, intensifies the process. It develops on a system of paying very high wages to skilled whites, and very low wages to unskilled native labour. For instance, in Johannesburg to-day the minimum rate for the white

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man is £1 a day, the maximum average rate for native labour in the mines is 2s. 3d. a day. But though the growth of industry produces some mitigation of the problem for a time by providing more jobs both for white men who are skilled or capable of supervising natives, and for natives who wish to leave their kraals and earn wages, it does not solve it. On the one hand, the number of landless whites who are unfit for skilled work or not worth the high rate of wages paid for it steadily increases—there are said to be more than 100,000 poor whites in the Union to-day. On the other hand, the number of de-tribalised and permanently industrialised natives also rapidly increases. The Economic Commission of 1926 estimated the entirely urbanised natives at 300,000, and another estimate puts the number of detribalised natives at 600,000, of whom an ever rising number are fully as capable of doing skilled work as the white man, and who demand skilled work and skilled wages as the only condition upon which they can live decent and respectable lives once they are cut off from the reserves. Thus the simple, patriarchal economic pyramid, which had a white apex and a black base, which arose so naturally in the early days, begins to disappear. The whites are continually falling off the apex into the indescribable squalor of poor white existence, and the urbanised blacks are trying to clamber up the pyramid into the skilled zone previously reserved for the whites alone. Both white and black become marooned in the low quarters of the towns, with no land to go to and with little or no chance of obtaining a decent living at unskilled work, because of the competition of natives from the kraal.

This is the position which has already been reached in the Union to-day. What is to happen? The first instinct of the white aristocracy is naturally to try to keep all skilled work for itself (the Colour Bar Bill). But that policy, while it may give a short breathing time in which to look round, solves nothing. It does not eliminate the poor white or create the needed outlet for the emanci-

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pated native, while in the long run it must create a revolution, for it is clearly impossible to keep the native perpetually in the position of a hewer of wood and a drawer of water for a white aristocracy, if at the same time he is not given enough land for his own use and if he is debarred from the effective exercise of political rights.

The truth is that the Union has reached the point where the old sharp distinction between black and white on which its economy has been founded hitherto is beginning to break down. Education, economic forces, contact with civilisation are creating an ever increasing number of natives who are no longer simple-minded muscular machines, but people fit to take their place in a modern organic community. Economic forces are equally developing a class of whites who are in no sense aristocratic, because they are only fit for unskilled work. The central problem in the Union to-day is to initiate the readjustment which is necessary, and the four Bills introduced by General Hertzog and the controversy which is now arising about them show that the process of readjustment has begun.

It is not the purpose of this article to discuss in any way the immediate problem which confronts the Union.\* Its object is to emphasise the fact that the conditions which have produced the difficulties which now confront the Union exist also throughout the whole of the highlands from Cape Town to Kenya, in so far as these territories become the home of white colonists living alongside the aboriginal inhabitants. Unless, therefore, the northern portions of the highlands are eventually to reach the same difficult and indeed dangerous situation in which the Union finds itself to-day, it is essential that their inhabitants should begin to study the experience of South Africa, with the object of avoiding its mistakes and profiting by its lesson.

\*If any one wishes to study this question in detail, he cannot do better than read the Transvaal Indigency Commission Report of 1907 and the Economic Commission Report of 1926, which show very clearly how the situation has developed in the last twenty years.



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While the details will vary according to local conditions, the fundamentals for the northern highlands seem to be clear. In the first place it is essential that, while there is yet time, ample land should be reserved for the natives under conditions which will make it impossible for them to alienate it to white purchasers. The land of Africa does not "belong" to the native for it is as absurd to think that because some 25,000,000 primitive natives were in occupation of a territory two-thirds the size of Europe it "belongs" to them, as it is to think that it "belongs" to the European by right of conquest. It must be used by both. But it is vital that enough should be reserved for the native's use both under tribal and individual tenure, taking into account, too, the requirements of future generations. Fortunately, that need seems to be fully recognised everywhere to-day north of the Limpopo.\* At the same time, the native must be made to realise that unless he can learn to make better use of his land than he does to-day the younger men will inevitably drift away to the towns and he will eventually lose his land.

In the second place, the white man must recognise that the broad and easy road of relying on cheap native labour leads more inevitably to destruction for himself and his children than for the native. The straight and narrow path that leads to salvation is that the white man should recognise that, in so far as he is not qualified to do skilled work, he must live by unskilled work if he is not to become a poor white, and that the only way in which that is possible is to raise the economic ability of the native, both in his own reserves and in the service of the white man, through the use of machinery and other ways, so that he becomes worth a wage on which the unskilled whites can live at a decent standard of life. His policy, therefore, should be devoted not towards expanding the sources of cheap native labour supply, which in any case are very

\* See p. 632 for what is being done in Southern Rhodesia.

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limited, but towards a form of development which economises labour, and pays competent labour a good wage.

In the third place, it is necessary to realise that the early relations between white and black, in which the white is the apex of the social, economic and political pyramid and the native is the base, cannot be permanent. They will inevitably change. Any attempt to perpetuate the relations which are appropriate when civilisation and barbarism first come into contact, by legislation or otherwise, is bound not only to prove unjust to the native, but to be fatal to the moral foundation on which alone white leadership can rest, and in the long run to end in violence, revolution, and failure. The only principle to follow is that of justice and liberty for every individual, which lies at the root of English-speaking accomplishment and civilisation.

So far as Great Britain, which still carries the final responsibility for all the highlands north of the Zambesi, is concerned, the vital thing is that the problem should not be allowed to become one of party politics. Not only does partisanship darken counsel at home, but it produces exasperation and misunderstanding locally, which immensely aggravates the difficulties in the way of a solution. The policy of Great Britain must be to consider the rights and well-being of both races and not those of either black or white alone. There is room for both races in the country, and, great as are the difficulties which result from contact between the two, the only road to their solution is for the paramount authority to recognise its obligation to do justice to both.

One word about Lord Olivier's and Dr. Leys' books. These books will leave a mark on the history of Africa, which will not soon be effaced, because they expose nakedly and ruthlessly for all to see what is the fundamental issue at stake, and because their authors have had the courage to state their convictions without palliation or reserve. But their influence for good has been immensely lessened by the bitter spirit in which they are written, and one



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of them attributes to malignant design on the part of individuals or to the ogre called "capitalism" what in the main was a natural outcome of the facts. The facts were that Southern Africa was very thinly peopled, that it had great resources which the native had no idea of developing, and that modern civilisation, with all its good and bad features, swept over the country as naturally and inevitably as it swept over America in the seventeenth century. Nothing could have prevented it. Nor could anything have prevented the social and economic gulf between black and white which ensued, for it was based on the fact that black and white were at the opposite ends of the social, political and economic scale. The truth that the native has an unlimited capacity for development and many fine and attractive traits of character does not alter in the least the other truth that when the European arrived he was a barbarian of not too refined habits, who regarded the white man as a wizard and the wages he paid as a short cut to heaven, and who therefore naturally and inevitably fell into a position approximating to mediæval serfdom.

It is these facts which make the difficulty, because they create a society in which the white man acquires a vested right in ascendancy which, though natural at first, becomes extremely difficult to modify as conditions change later on. But to suggest that the problems of Africa are due to any special malignancy on the part of the British or Dutch who live there is to introduce into the problem of race relations in Africa the terrible hatred and class war which the disciples of Karl Marx have managed to introduce into the problem of industrial relations in Europe. The solution of the African problem requires plain speaking and courageous defence of what is right. But it will never be found along the lines of dividing black and white into sheep and goats. Both are suffering—though much less than our authors would have us believe—from the inexorable facts of their environment and their past. It is the part of

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statesmanship to recognise these facts, to draw remorselessly legitimate conclusions from them, but to deal with both races on the basic Christian assumption that they will respond to wisdom and appeals to their better nature more readily than to condemnation and abuse.

### IV. THE POLITICAL PROBLEM

AS already explained, in its fundamentals the problem discussed in a preceding section is the same from Cape Town to Nairobi. But it has reached very different stages of development in different parts of the highlands. It now occupies the centre of the stage in the Union. It is well to the fore in Kenya. It is showing its head in Southern Rhodesia, as a recent gathering of farmers at Sinoia made clear. It is latent elsewhere. But everywhere throughout the highlands it is the cardinal question which confronts the statesman for the reason that everywhere, to a greater or less extent, white men and black are beginning to live side by side as colonists on the same land.

But while the fundamentals are the same there is no possibility of their being dealt with from a common centre at present. Political conditions forbid. The highlands are under many different forms of government. The Union, so far as the whites are concerned, is a modern democracy with a highly developed economic life. Southern Rhodesia is under a system of responsible government. Northern Rhodesia, Nyasaland, Tanganyika and Uganda are under Colonial Office rule, tempered by legislative councils in which popular election is an element of varying importance. Kenya is nominally a crown colony, but the unofficial members of its Legislative Council already exercise a powerful influence in the local government, and the last election was fought and won on the programme of giving the unofficial members a majority in the Council.

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There is no prospect of these territories coming into any organic political relationship at present. At one time people believed that the Union would gradually expand, as the thirteen original American States or the early Canadian provinces expanded, indefinitely to the northward. This seems to be improbable for two reasons. The first is that the rise of the Dutch nationalist movement under General Hertzog in the Union made a majority of the people of Southern Rhodesia at their referendum decide to reject General Smuts' proposals for their incorporation in the Union. Though the relations between the Union and Southern Rhodesia are friendly and intimate, Southern Rhodesia has now started an independent democratic existence of her own. The second is the over-centralisation of the Union constitution itself. The basis for the expansion of the United States and Canada was that a high degree of autonomy was left to the individual States and provinces. The Union constitution gives no real autonomy to the provinces. The powers of the Provincial Councils are very small—the only important one being primary education—and the Administrator is the nominee not of the Provincial Council, but of the Union Government. There are many people who think that the government of the Union is already over-centralised, and the new form of government created for South-West Africa seems to confirm this view. It is at any rate so centralised that it seems extremely unlikely that self-governing communities to the north would agree to so complete an extinction of their individuality as incorporation would imply, though the Union is bound by reason of its size, wealth and experience to be much the most important factor in the politics of Southern Africa.

On the other hand, it seems clear that the northern portions of the highlands, from the Limpopo onwards, cannot long remain divided into six independent entities only united through the common overlordship of the Colonial Office and the Crown. There is a movement

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already on foot for federating East Africa—*i.e.*, Kenya, Tanganyika and Uganda—to which we will return later. Northern and Southern Rhodesia are united not only in origin, but by common railways and other economic ties. If the white population of Northern Rhodesia continues to grow as rapidly as at present, and if the projected railway across the Zambesi at the Karibi Gorge is built, closer political relations between the two seem to be inevitable. Each of these zones, as well as Nyasaland, has its own ways of reaching the sea.

### V. THE DEMAND FOR SELF-GOVERNMENT

THERE is one important question, however, which requires immediate consideration. The whole of the highlands north of the Zambesi are still under the direct control of the Colonial Office. South of the Zambesi it has neither responsibility nor power in the Union, but it still has a direct responsibility in the three protectorates of Basutoland, Swaziland and Bechuanaland, and it retains a power of veto over legislation affecting the natives in Southern Rhodesia. Everywhere the movement towards local self-government by the whites is growing. Responsible government was accorded to Southern Rhodesia when there were under 35,000 whites in a country 149,000 square miles in extent containing some 850,000 natives. The recent elections in Kenya were successfully fought on the issue that the representatives of the 12,500 whites should be in a majority in the Legislative Council. There is not the slightest doubt that a similar demand will be put forward in Northern Rhodesia when the white residents increase to three or four times their present numbers, and the present deficit in the budget has disappeared. And it is only a question of time for the same demand to arise in Nyasaland and Tanganyika.

What is to be the answer to the demand for self-govern-

## The Demand for Self-Government

ment? It is clearly impossible to resist indefinitely a demand for self-government in a colony where a sufficient number of whites who have been accustomed to it at home claim it. It is largely a question of the numbers, type, and quality of the community concerned. Moreover, the principle has been conceded not merely in the Union where the white population is large, but in Southern Rhodesia where it is not a twentieth of the native population. Experience shows, too, that attempts to maintain Downing Street control in defiance of local sentiment produce bitter resentment and do not succeed for very long. The discussion of colonial issues at home produces a peculiarly dangerous form of exasperation among the men on the spot who hear their affairs debated on platforms and in the House of Commons by people who clearly know little or nothing about the subjects they discuss. The feeling that questions vitally affecting themselves are being settled on party lines or under pressure from missionary or negrophilist circles, while they have no effective means of representing their case, is one of the principal hindrances to the development of a sound attitude towards native affairs.

On the other hand, it is clearly out of the question to hand over the control of a territory some 2,000 miles by 500 miles in extent, and containing perhaps 20,000,000 natives, to the uncontrolled discretion of a few thousand recently arrived settlers. Moreover, it is impossible for Great Britain to divest herself of the special responsibility she has assumed for native interests in Central Africa in the way she has done in the Union, now that it is a fully constituted Dominion. It is the fashion nowadays to criticise Downing Street control, and doubtless it has been unwisely exercised at times in the past. But, for all that, some of the noblest pages in the history of Great Britain are those which tell of the protection that she has given to backward peoples. The development of the idea of trusteeship during the Warren Hastings trial, the abolition first of the slave trade and later of slavery

## The New Problem of Africa

itself, the establishment of methods of native rule, which have become the standard for the world and which were embodied in Article 22 of the Covenant of the League of Nations, are achievements which ought not to be forgotten or disregarded. Further, if a certain doctrinaire idealism and lack of knowledge on the part of people at home have often aroused the resentment of colonial communities conscious of superior knowledge of their own local needs, these communities sometimes find it hard to see the larger implications of the policies which they are pursuing, because they are absorbed in the immediate necessities of the moment, as thinking men and women among them will usually admit. One of the reasons why the native question has become so difficult in the Union is that the long quarrel between Dutch and British, and between Downing Street and Cape Town and Pretoria has hindered reasonable and fair-minded discussion of native problems. In the case of the northern highlands the course of wisdom is clearly a gradual transfer of some measure of responsibility to local white communities under proper safeguards for the native, combined with a friendly and confident trusteeship by the Colonial Office. The exact method may well differ in different cases, but three main points seem to stand out. The first is that responsibility is the best, indeed the only, way of educating any community in statesmanship. But the transfer of responsibility must clearly be in proportion to the size and stability of the community, and the emergence of an informed and sound public opinion about native problems. One of the difficulties, as Southern Rhodesia has already begun to find, is that Parliamentary government, to function successfully, requires two parties divided by genuine differences of principle, so that the electorate can find a new Government to put into power when it is dissatisfied with the old one. In new communities it is always hard to find enough people who have the time, the experience and the ability to man a single government and party, to say nothing of two.



## The Demand for Self-Government

The second is that certain fundamentals affecting native rights should be clearly safeguarded in the constitution itself, and in particular such matters as the ownership of land, the prohibition of forced labour, and so on.

The third is that the legislature, to which increased responsibility is transferred, should be so constituted as to represent from the start not only the white electorate, but also the other races which permanently reside in the country. The question of whether this should be done by means of a common franchise, with a high voting qualification as in Cape Colony, or by some system of communal representation is a matter about which opinions differ. The latter method is already in operation in Kenya Colony, where the Indians, the Arabs and the natives each have some representation in the legislature. It has been put forward by General Hertzog as the middle way between the native franchise in Cape Colony and the total absence of any form of representation of the natives in the northern provinces. In Central Africa native interests would for the time being have to be represented by white men, other than officials, who would be nominated by the Governor, to speak and vote on behalf of the native population and who would not be required to stand for election by white constituents.

These principles do not solve all the complicated problems which arise, and which will have to be settled on varying lines according to local conditions. But they do seem to set a standard by means of which the difficult issues now arising in those portions of the highlands which lie within the tropical zone, can be approached, and the undoubted evils, which come either from undiluted Downing Street control or undiluted transfer of authority to a small body of white settlers on the spot, can be avoided.

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### VI. THE FEDERATION OF EAST AFRICA AND TANGANYIKA TERRITORY

**E**AST AFRICA, in which are included Tanganyika, Kenya and Uganda, is the only part of the highlands where the broad problems discussed in the foregoing pages need immediate solution. The demand of the colonists in Kenya for an unofficial majority in the Legislative Council has already been mentioned. There is also an active movement in favour of federation.

These two questions are closely related, and are also inseparably bound up with the future of Tanganyika Territory, now administered by Great Britain under mandate from the League of Nations. There is little doubt that East Africa will soon be, if it is not already, in urgent need of some form of closer union. The bitter experience of the four South African colonies before 1908 is beginning to repeat itself further north. Native problems, customs, railways and research, all require handling on an inter-colonial rather than a colonial scale, and to-day vested interests are growing up everywhere in provincial isolation, which will tend to make the federation of the country increasingly difficult as every year goes by.

Moreover, the creation of an authority which can look at the native problems of East Africa as a whole and deal with customs, railways and research with the help of the advice of an inter-colonial Council, such as functioned between 1903 and 1909 in the Transvaal and Orange Free State, may supply the means of giving some effective responsibility for government to the Kenya settlers without depriving the native population of Great Britain's protection for its rights and interests.

Nor does there seem to be any fundamental difficulty about Tanganyika. Article 10 of the Mandate authorises



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the Mandatory Power "to constitute the territory into a customs, fiscal and administrative union or federation with the adjacent territories under his own sovereignty or control, provided always that the measures adopted to that end do not infringe the provisions of this mandate." It is sometimes urged that nothing should be done to alter the status of Tanganyika because some day it will be handed back to Germany. We do not consider that there is any foundation for this view, for two reasons. In the first place, there is everything to be said against retransferring Tanganyika to German control from the point of view of native interests. Though the accusations against German colonial administration in East and South-West Africa were made under the influence of war feeling, there is no body of independent opinion which considers that German colonial administration is likely to be any better than British. From the native standpoint there is everything to be said against the dislocation and disturbance inevitable from another alteration in the suzerain power.

In the second place, as already pointed out, the real question in Tanganyika as in other parts of the highlands is not whether they are going to be administered from London or Berlin, but the degree to which they are ultimately going to be administered from Europe at all. The tendency in Southern Africa is clearly for overseas control to diminish and local control to increase.

There is no doubt a great deal to be said, from the general point of view of international relations, for trying to find a colonial mandate for Germany. If she could be found one it might help to relieve tension in certain aspects of international policy. But Tanganyika is not one of the zones where a restoration ought to be considered. Germany has equal rights in trade and commerce and in colonisation. It ought to be made clear that no suggestion of altering the political status of the country, except in the direction of self-government, can

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be entertained either by Great Britain or the Council of the League of Nations. The future of the highlands, both from the point of view of the white colonists and the native inhabitants, must be looked at and, as far as possible, handled as a single whole.

## A PICTURE OF CHINA

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TO portray adequately the situation in China within the limits of a ROUND TABLE article would require the grasp of essentials and the economy of linework of a Sung Dynasty artist. Words like brush-strokes have their conventional meanings, and a treatise on such a subject equally needs for its understanding a knowledge of what the symbols stand for. Applied to China the most familiar words and phrases change in meaning. "War," "government," "party," "public opinion"—there would be no end to the list—have different associations from what they have in Europe or America. An even greater impediment is that some of the principal forces in Chinese everyday life have no name in English, or else are expressed, with hopeless inadequacy, by such exotic terms as "face" or "squeeze." A proper glossary of these terms would itself fill volumes. A good deal of the current misapprehension and of the recrimination which passes between writers in China and writers at home takes its rise in this difficulty of language. With this preliminary warning we will proceed with our task.

### I. THE SITUATION IN OUTLINE

CHINA to-day is a typical example of administrative "break-up." The question whether symptoms of regeneration are present will be discussed later; but disruption, in any case, is the keynote of the actual situation.

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Throughout the greater part of the country the functions of government, in so far as they go on at all, are carried on by a class of military adventurers or by officials acting, metaphorically speaking, at the point of their rifles, though this and the remarks that follow are subject to qualifications when applied to regions under Kuomintang control. It may, however, be said at the outset that the contrast between North and South is far less pronounced than it is often made out to be and that, except for Kwangtung itself, the difference between provinces is mainly one of degree.

The collapse of established authority and the rise of the "militarists" who, to keep and extend their power, have been recruiting armies and fighting private wars over the greater part of China for the last eight or ten years, has led to an economic *débâcle*, resulting in turn, as it always must in China, in unlimited banditry. Bandits and soldiers combined make life for a large part of her farmer population what can only be termed hell. Transport, the primary need of the country, is going from bad to worse. Nearly all the railways are degenerating apace under the control of military officers who are without care for the future, while of the traditional means of conveyance, junks and pack-mules, carts, camels and wheelbarrows, a large proportion is permanently out of action through being commandeered for the moving of troops. The public finances, both central and provincial, are in an utterly bankrupt state. The people are taxed to the bone but the proceeds go in "squeeze" and military expenditure. Every *de facto* authority extorts loans or subventions from the banks and chambers of commerce and revenues are pledged, often for years ahead. The country is flooded with paper money forced on the people and constantly dropping in value. The greater part of the foreign debt has fallen into default. The buoyancy of Chinese trade in the face of enormous obstacles has long been a by-word, but it has begun to succumb to the overwhelming forces of anarchy and along

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the Yangtze especially, the grand trade route of China, it is slowing down to a standstill. Merchants are unable to move their goods and, living under a threat of communism, are afraid to risk their capital. Education is hampered, often to the vanishing point, by lack of funds, student strikes and the anti-Christian movement. Meanwhile, in addition to the endemic *tuchun* struggle, China is split by a civil war which follows the traditional line of cleavage between North and South and centres along the Yangtze. The result of this division was that two governments claimed to stand for China, the old government in Peking and a new one at Wuchang, representing respectively the conservative Northern "warlords" and the radical leaders of the South.

Partly merged in this North-and-South struggle, but forming an underswell throughout the whole country irrespective of party control, a politico-social revolution is steadily gaining ground. This revolution—to which we shall return later—has displayed itself in three separate forms, firstly a military campaign to oust the Northern militarists and extend Kuomintang government over the whole of China, secondly the organization on bolshevist lines of a peasant and labour revolt against the landlord and employer, and thirdly an effort to abolish foreign privilege in China, to obliterate foreign influences, especially in education, and—among the extremists—to relieve China altogether of the presence of foreigners owing allegiance to "imperialistic" Governments. Coupled with the anti-foreign movement there has been a special agitation against Great Britain and the British in China, openly fostered by the communist members and Russian "advisers" of the Kuomintang party and fanned by boundless misrepresentation in pamphlet, poster, newspaper and public speech. This campaign has taken material form in the boycott of British ships, goods and individuals, in mob attacks, in the looting of British property and in the now historic seizure of the British Concession at Hankow. Most of the British

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living in the interior have had to be evacuated to the coast for fear of violence and massacre. Parallel and supplementary to the anti-foreign movement is an anti-Christian campaign which has led to the, often forcible, closure of missionary schools, on which the country still largely depends for education, hospitals, and other establishments, and in not a few cases physical attacks on missionaries. This movement is apparent among the literary as well as the ignorant and superstitious classes.

Finally, diplomatic relations between China and the Treaty Powers are embroiled by an outcry against the "unequal" treaties on which the extraterritorial status and special rights of foreigners in China rest. The treaties are threatened with denunciation or even repudiation; meanwhile negotiations for revision on a national scale are barred by the absence of any single authority recognised by the whole country for conducting foreign relations.

Such is the picture in crude outline, leaving aside detail, shading, or perspective. To paint in some of these is the aim of this article, but first it is necessary to outline the background.

### II. THE BACKGROUND

NO crisis can be properly understood without the help of a certain amount of background, and this is particularly true of China. It is not, however, at all easy to provide even the sketchiest background for the present occasion. The Abbé Huc's *Travels* and Dr. Smith's "Chinese Characteristics" depict with knowledge and humour the various features of Chinese life, the mentality of the people and the traditions, beliefs and motives, often utterly strange to foreign ideas, which regulate their actions. Such books supply an effective antidote to the dangerous tendency to apply Western logic and Western standards to Chinese affairs. In such an article as this, however, only a fraction of the ground can be covered.

## The Background

Dr. V. K. Ting, a brilliant representative of the modern movement, considers the present revolution is, in its essence, economic. It may, therefore, be as well to begin with a rapid survey of this side of the field.

There is a strange anomaly in China. In spite of their notable industry and the productivity of the soil, the people are living in extreme poverty. To investigate the causes of this paradox, such as over-population, recurring floods and famines, and last but not least, the high cost of ancestor worship—graves are reckoned to occupy nearly a tenth of the cultivable area—would be outside the scope of this article. The essential fact is that the margin which divides the Chinese peasant from starvation is exceedingly small—expressed in money, it is said not to exceed \$2 or \$3 a head. Once past this margin the peasant must either starve or find a new means of livelihood. The choice may be said to lie between enlisting as a soldier, joining up with the bandits, or—a recent addition to the list—if he happens to have a landlord, turning bolshevik. A variation of this last method is to repudiate his debts. In China the money-lender plays a part hardly less prominent than that of the *bania* in India. The facts about Chinese land tenure are hard to come by, and foreign investigators vary enormously in their estimate of the proportion of the land which is in the hands of substantial landlords. In Hunan, where communist doctrines have been preached with special vigour, less than half of the peasants appear to work on their own or on communal soil, so that the potential prizes of a peasant revolt are certainly considerable.

The distribution of wealth is naturally less uneven in a country which is pre-eminently agricultural and free from any system of serfdom than it is in industrial countries. On the other hand, the revenue from taxation goes largely into private pockets. The military men, who control most of the country, often accumulate fortunes even more out of proportion to average incomes than the millions



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of a Morgan or a Rockefeller are in America. Chang Tso-lin and his intimates, for instance, are said habitually to play *ma chang* for stakes which involve tens of thousands of dollars at a single sitting, while seventy or eighty dollars represent an average peasant's earnings for a whole year. The only check on these military fortunes, one which is itself a curse, is the expenditure which the warlords have to meet to keep themselves in power and to carry on their wars. This drainage of the country's wealth—there was nothing to equal it in the worst Manchu days—is for most of the Chinese the outstanding factor in the present situation, and it constitutes, as Dr. Ting suggests, the groundwork of the revolutionary movement.

Next, to take Chinese psychology. For every one who has lived in China will agree that some conception of it is essential if the real significance of developments in that country is to be appreciated. The subject is obviously too vast for more than a passing reference here, but it may be useful to give a few illustrations to show the gulf which separates a Chinese from a Westerner's way of thinking.

It must be remembered that China is mainly known to the world either through the insignificant number of Chinese who have acquired foreign notions and foreign ways of expressing themselves—the race has an extraordinary facility in both these respects—or else through the medium of foreign writers, most of whom have formed their ideas by associating with this same limited class. The huge mass of China lies far outside the orbit of our Western civilisation. Throughout historic times she has been a self-contained cosmogony, and the material and spiritual barriers which kept her apart have only begun to weaken under the pressure of Western civilisation within the last two or three generations. Nor has the process been eased by any such "shock-absorber" as British tutelage supplied in India. It is, therefore, natural that Chinese mentality should be widely different from our



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own. A few haphazard examples will serve to illustrate what is meant.

In quite recent years some British engineers who were laying out a line for a railway in South China, and wished to dig cuttings, were seriously handicapped by the fierce opposition of the country people, who were afraid that the disturbance of the soil would release the dragons and phœnixes which are popularly believed to inhabit hills and mounds. Here, of course, it was a case of ignorant peasants. But superstition spreads up the whole ladder. A year or two ago the Ministry of Finance with its staff of "modern-style" officials could find no better explanation for the dwindling national finances than the influence of malign spirits, in consequence of which they erected a "devil-screen" across the main entrance to the Ministry, to the great inconvenience of the drivers of visitors' motor-cars. Then there was the recent experience of the Peking tramway company, who were forced to pay heavy compensation for killing a pedestrian by the victim's funeral procession dumping the coffin on the tram-lines and remaining there chanting dirges and holding up all traffic until their claims were met. However inconvenient to the public, the procedure had its moral approval, being quite in accordance with the principle of passive resistance which has been developed in China to a degree unknown elsewhere. The anti-British boycott was an instance of the length to which it can on occasion be carried.

Traditionalism is another outstanding racial *trait*. Chinese philosophy, political as well as domestic, looks to the past. Ancestor worship does not easily blend with an active belief in the theory of evolution. The innate conservatism of the race is nowadays disguised to foreign eyes by the extravagant reaction which is taking place among the young *intelligenza*. It is fashionable for students to break the most sacred laws of China by discarding reverence, even decent respect, for parents, teachers and elders. Some of the maturer spirits, too, in

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despair at the hopeless plight of their country, are adopting a thoroughgoing revolutionary attitude, arguing that it is best to sponge the slate and make a clean start.

But beneath these surface phenomena there remains the immense force of tradition which is giving shape to current events. Many will have wondered why Marshal Wu Pei-fu, after losing Hankow and proving useless to the Northern confederation, was allowed to remain for months in his old Honan capital stopping his allies from passing through his lines to attack the Cantonese on the Yangtze. The fact is that the Northern militarists, though they hold the country in bondage by sheer force of arms, are careful to preserve a show of legitimacy based on the fiction of an unbroken transmission of authority from some generally recognised source. Wu's claim to inherit a share in the government from Yuan Shih-kai is said to explain the reluctance of his disappointed allies to act independently of him.

Again, extraordinary pains have been taken to preserve a constitutional façade for the Northern militarist government. Every new head has to be formally appointed by a predecessor whose powers were derived from the last of the Republican Parliaments, notwithstanding the fact that in all practical matters the constitution is treated by the militarists as utterly non-existent, while parliamentary government has, of course, lapsed for many years past. These elaborate fictions, whereby a mandate is found for the most arbitrary kind of rule, enable Chinese antagonists to preserve one feature which is indispensable in Chinese politics and war, namely, the "bridge" by means of which contending parties can, with a little ingenuity, reach a compromise without loss of "face."

Few comparisons are so invidious as those touching the state of different peoples' civilisations, and opinions are in any case bound to be influenced by arbitrary standards of value. On many counts it is easy to uphold the thesis that the Chinese plane of culture is a higher

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one than our own. But in the sphere of economic and administrative development there is a far wider gap between China and Western countries than the majority of writers and speakers realise. No sketch, however slight, should omit this, and it cannot be better explained than by quoting a few paragraphs from a remarkable report on living conditions in China which was supplied to the Foreign Office by one of our Consuls in 1924 in connection with a general inquiry by the International Labour Organisation.\* The author, after drawing an interesting parallel between existing conditions in China and the state of England in Plantagenet times, shows that if lawlessness, violence, and the misery of the common people are a test, the comparison is amply justified. He then proceeds to discuss China's prospects of making up the leeway of five hundred years.

I am quite prepared (he writes) to agree that the changes now going on in China bear a general likeness to those which transformed mediæval into modern Europe. But, however highly we may esteem the virtue and intelligence of Asiatics, it seems improbable that they are so far our natural superiors as to be capable in one act, by the promulgation of one law or code of regulations, or by the united efforts of one generation, should one generation ever be so happy as to be united, of accomplishing what it took Europeans about five centuries to effect. The Chinese have the advantage over us of coming later, and the advantage that class distinctions, though they exist, are on the whole less rigidly defined than they were with our ancestors. They can buy or imitate our mechanical inventions. They may, if they will, profit by our experience and our mistakes. They need not undergo so many, so long or so severe struggles and vicissitudes. But some of their difficulties, political, religious, and not least linguistic, are greater than any which Europeans ever had to encounter. On the whole, I am not sanguine enough to anticipate that anyone now living will see the economic condition of China as a whole very greatly altered from what it has been in the past.

Whatever may be true of limited classes, or of special localities where favouring circumstances have hastened the concentration of

\* Despatch from Mr. W. J. Clennel, H.M. Consul at Foochow, in Foreign Office China Series No. 1 of 1925 (p. 43).

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large capital and its investment in westernised forms of industry, the bulk of China is, I should judge, likely long to remain in a stage of social and economic evolution more analogous to that of England in the fourteenth century than to England in the twentieth century, and in all discussions as to the effect of possible labour regulation, that assumption must, I think, be steadily borne in mind. If this generation can raise the average level of China to the English average of 1450 or 1500, it will not have done badly.

This is, I conceive, true even of the great and crowded centres that stand on main thoroughfares of communication and are served, or likely soon to be served, by railroads and steamers. Once we leave those centres, or those main lines of traffic, the chances of levelling up conditions to a modern standard become very much less. To get a picture of the inland parts of Fukien, I would suggest reflection on the fact that, until about the middle of the eighteenth century, the Highlands of Scotland were occupied by primitive clans under their own princes, as little accustomed to take orders from, or model their conduct upon, Edinburgh or London as the Ch'en clan of Yung-ch'un appears to be to obey Foochow or Peking to-day. If for Ch'en Kuo-hui we read Macdonald of Keppoch, and for Li Pu-ch'ing of San-chiao-ts'un we read MacIan of Glencoe, and if we suppose that we are living in the year 1690, we will perhaps be nearer appreciating the point of view of the above-named gentry than if we suppose them and their neighbours to be twentieth-century politicians alive to all the discussions of Washington or Geneva Conferences.

There is a valuable hint in the concluding words for those who suppose that the Chinese people at large react to—or are even so much as aware of—the words and doings, however momentous, of European or American statesmen. We must now, however, turn to the growth of Chinese nationalism.

### III. CHINESE NATIONALISM

THE Boxer Rising is generally thought of as an anti-foreign outburst. Actually it was, in origin at least, more a domestic affair, a conflict between the old China and the new, which the court party were clever enough to divert against the foreigner in order to save themselves.

## Chinese Nationalism

Naturally enough foreigners saw most of, and were most impressed by, the aspect which affected them personally, and so obtained a disproportionate view of the whole movement. A similar over-emphasis of the anti-foreign element is almost inevitable in the present situation. Our minds run to the revolt against British rule in India, and it is easy to forget that whereas in India the presence and authority of the Englishman is felt almost everywhere, in China only a fraction of the population have as much as seen a foreigner. It would be rash to attempt a quantitative analysis of the present movement, but it is the writer's belief that, *leaving out of account the Russian-imported element*, the present revolutionary movement is primarily a reaction against China's domestic ills, a revolt against the misery of extreme oppression such as Chinese history has so often before recorded, and that the anti-foreign aspect is secondary.

The movement has received the name "nationalist" by identification with the *kuomin* or "nationalist" party. And, in so far as young China is undoubtedly in a stage of progression from purely racial to politico-national consciousness, the name is justified, but its use is apt to create a spurious analogy with liberation movements among peoples fighting to throw off the yoke of foreign dominion or with the struggles of racial minorities towards separation. It is true that one of the principal aims of the Chinese nationalists is to obtain tariff autonomy (a right already conceded in principle by the foreign Powers) and to abolish the extraterritorial and other peculiar privileges of foreigners living in China, but, however the foreign Powers may have treated China a quarter of a century ago, the idea that they dominate present-day China in any proper sense of the word is nothing short of absurd. If the word "nationalism" is to be used to express the present phase of the revolution in China, it must be cleared of false associations.

The movement traces descent from the small band of foreign-educated revolutionaries who forced reforms on

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the Manchu dynasty in the last decade of their rule and later inspired the rising which put an end to the monarchy. The 1911 revolution was incomplete, and the attempt to jump at a single leap from the ancient system of quasi-theocratic government to an Americanised form of republicanism proved an almost immediate failure. The South, under Sun Yat-sen's influence, very soon broke away from the North, while in Peking Yuan Shih-kai discarded all but the merest shell of constitutionalism even before his final attempt to re-establish a monarchy. Meanwhile the old framework of provincial government was destroyed. The attempt to centralise administration and finance in Peking upset the relationship between capital and provinces, and the latter fell away under the control of a new class of military governor, chosen in the first place from among the generals of the revolutionary army who, when the strong hand of Yuan Shih-kai was lifted, grew into the independent and oppressive *tuchuns* whose name has become an international by-word. The fiasco of the new political experiment, the hopelessness of the economic outlook, and the utter lack of prospects for the modern-trained youth of the country caused bitter disillusionment and discontent among the educated classes, and especially the students, which crystallised into the "student movement" in the early days of the World War. This movement was given a strong anti-foreign turn by the feeling excited by Japan's attempt to bring China under her military and economic thumb by the Twenty-One Demands and the loans made to the Anfu Government. The first notable act of the students was their attack on the Chinese politicians, whom they accused of selling the country, and their instigation of the Japanese boycott. The refusal of the Versailles Peace Conference to look into China's claim to recover Shantung exasperated Chinese educated feeling, and the National Federation of Students, formed in 1919, took on a definitely anti-foreign complexion which the Washington Conference, with its academic "Chinese" treaties and



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reforms—the most practical promise, concerning the tariff surtax, remained a dead letter for nearly five years—did little to dissipate.

Apart from these purely political factors, many other developments combined to destroy the tradition left by the early reformers who saw salvation for their country in bringing it into line with Western civilisation, and to turn the present generation into anti-foreign courses. The spectacle of the World War and of the post-war state of Europe betrayed, in their eyes, the emptiness of the Western form of culture, and many young Chinese openly expressed their disgust with the model that their predecessors had chosen. The cinema came to play havoc, as it did throughout the East, with native conceptions of Western behaviour and morals. A new and dubious type of business man—not for the most part British—set itself up in China and undermined the reputation built up for more than a century by the fine old China *hongs*. Finally, on the intellectual side, there was an invasion of philosophical theorists, both British and American, who taught the untravelled Chinese extreme political and social doctrines, which, as they lacked the background that would have enabled them to see them in their proper proportions, could not fail to do grave harm to the prestige of existing foreign institutions. To these various agencies must be attributed a share at least of the anti-foreign and anti-Christian feeling which more and more permeated the spirit of Young China.

As, in the North, anti-foreign agitation could be indulged in with impunity, while revolutionary demonstrations involved the risk of death, students and their friends, whatever their real feelings, were naturally more often seen preaching the *jihad* and stirring up boycotts against the foreigner than openly denouncing military misrule and plotting its overthrow. Even so, the sneer one often hears that they were afraid to lift a hand against the real oppressors of their country is not altogether deserved. A fair number in the last few years have lost their lives in



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rebellions against military despotism, and many of them have fought in the ranks of Feng Yu-hsiang's or the Cantonese armies. Workmen, too, have suffered death at the hands of the military for preaching radical doctrines.

We now come to the Kuomintang, or the Nationalist party organisation, which has attracted to itself the revolutionary and anti-foreign feeling throughout the country. The Kuomintang came into being at the time of the 1911 Revolution, but its origin can be traced direct from the revolutionary societies started by the early reformers. Sun Yat-sen, the "Father of the Revolution," was its founder and organiser, as he is now its patron saint. If all had gone smoothly in 1911 and 1912, and if Sun had remained president of the Republic, the Kuomintang might have simply been merged in the new constitution. As it was, Yuan Shih-kai, after a somewhat bitter experience of the jealousies and political incompetence of its members, decided to break with the radical party and establish a republican government according to his own ideas. Sun and the other Kuomintang leaders were virtually banished to Canton, always the great revolutionary stronghold, where their headquarters have remained, through many local and national vicissitudes, till the present time. In 1921 Sun and his veteran colleagues, Tang Shao-yi and Wu Ting-fang, considered themselves sufficiently firmly established to proclaim a national Republic in opposition to the North, and Sun was elected its president. Within a few months, however, after one of those acts of party treachery which seem inseparable from Chinese politics, Sun had to flee for his life—assisted in his escape by a British gunboat—and he again became a wanderer in the wilderness which had been his political home for so large a part of his life. Two years later he returned to Canton, and from this point it is necessary to follow events in somewhat greater detail. First, however, a point must be mentioned to make the general situation clear. In politics, as in religion, dividing lines in China are blurred, and there

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is normally a mutual tolerance which is strange to foreign minds. This explains how it was that, although Sun and his party were declared enemies by the Northern Government, Kuomintang partisanship was freely professed, especially by students, throughout the whole country. Even members of the Peking Government have sometimes belonged to it. The Kuomintang in this way had something of a dual existence. It was both the governing body of Canton and a political association which extended right through China.

On his return to Canton in 1923 Sun felt round for material support to enable him to keep in power and to give practical effect to the "three principles," which were his doctrine for China. As these are still the Nationalist motto it is necessary briefly to describe them. They were first the creation of a politically conscious entity and the abolition of foreign servitudes in China, secondly, the establishment of a national government united to the people by the mutual ties which are found in constitutional countries, and thirdly the economic reorganisation of China on quasi-Socialist lines. His scheme for the realisation of these reforms—now an integral part of the Nationalist programme—consisted of three stages; first, an era of military force to destroy the war lords; secondly, a period of political tutelage under the Kuomintang party; and thirdly and lastly, parliamentary rule.

It is said that at this point, in 1923, Sun turned to the British for help. He was technically a rebel, and he had the official reputation of being an unpractical and unreliable dreamer. Great Britain, moreover, had tied her hands diplomatically by the Washington Conference; her help was not forthcoming. Sun's next act went far towards justifying the opinion of his traducers; he bought with bribes, and imported from Yunnan, a large body of mercenary troops of the worst kind to help him against his rivals. The natural sequel took place, and he soon found himself in the power of his prætorian guard. Then

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it was that he took the fateful step of allying himself with Russian bolshevism. In his wild search for external assistance—money, arms and experts—he had already listened to bolshevist counsels, though he was never a convert to their creed, and during his period in exile he had adopted Borodin as one of his advisers. He now turned whole-heartedly to the Russians for help in his dilemma and allowed them to fashion a new weapon after the bolshevist pattern. They took over the Whampoa cadet college and trained a highly disciplined body of young officers soaked in their own doctrines. At the same time they founded a school for propaganda and set to work to convert the Chinese labour guild into the Russian type of union. When the time was ripe the cadets were launched against the Yunnanese, all of whom were either expelled or massacred, and the power of the “Reds” was established at Canton. Sun’s death in 1924 removed a force which might eventually have acted as a check on this movement. Being dead, he was canonised on the model of Lenin, and his name and political testament have been made the watchword of the Kuomintang.

Having obtained an assured footing in Canton, the Russian bolsheviks launched a campaign of intense and heavily subsidised propaganda among the students throughout China. The work was on a scale which made real secrecy impossible, nor was there much attempt to practise it. The propaganda was directed against the Treaty Powers, and Great Britain in particular. Then came the Shanghai and Shameen incidents—the details of which are now too well known to need any description—followed by the cloud-burst of anti-British agitation and the Hongkong boycott.\* The intensity and the universality of the “hate” against England in the summer of 1925 came as a shock to Englishmen living in China, few, if any, of whom had realised the

\* The Shanghai affair was dealt with in *THE ROUND TABLE*, No. 60, of September 1925, and the Shameen incident and the boycott in No. 63 of the following June.

## Chinese Nationalism

depth of the anti-British feeling prevalent among the Chinese *intelligenzia*. The foreign Governments were also taken unawares, and the international handling of the situation in its early stage was not of a nature to stem either the anti-British or the anti-foreign movement.

It is, however, necessary to leave this side of the question for the moment and to return to Kuomintang developments at Canton, where a struggle between the extremists and Communists on the one hand, and the moderates, led by Tong Shao-yi, on the other, had ended in the defeat of the latter and their withdrawal to Shanghai, where they carried on an innocuous opposition. Under their Russian tutors the Nationalists then built up a political system faithfully modelled on Moscow. The central executive of the Kuomintang, like that of the Communist party in Russia, became the real source of power. It concealed itself, however, for all executive purposes behind a political council on the lines of the Soviet Government and a Propaganda Bureau which, in a general way, corresponded to the Third International. The Soviet or Committee system was at the same time introduced both into the army and the organs of local government, thus undermining the personal authority of individual officers. Every encouragement was given to the formation of unions of workmen and peasants on ultra-socialist lines. Of the dominant personalities of this new dispensation little is known to the outside world beyond their names. Prominent figures in it have been Sun Fo, Sun Yat-sen's son, and Mr. Eugene Chen; it is probable, however, that the former owed his position mainly to his name and the latter partly to his reputation as Dr. Sun's faithful secretary, and partly to the qualities which made him a useful agent for diplomatic dealings with foreigners. It is doubtful if either had any great voice in the party councils. Borodin's dominating influence has, on the other hand, been an undisputed fact.\*

\* An account by Mr. Eugene Chen of what his party learnt from the Russians is set out in the Appendix.—EDITOR.

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As soon as the new machinery had been brought into working order the Cantonese launched their attack against the "Northern" militarists who held the provinces as far south as Hunan. With the aid of Russian technical advice, and helped by their newly forged weapon of propaganda, Chiang Kai-shek accomplished the feat, previously thought impossible, of marching an army the five hundred miles to the Yangtze. As he advanced he was reinforced by the Hunanese troops under their own *tuchun*, General Tang Sheng-chi, who deserted Wu Pei-fu and went over to the South, and other bodies of troops were also "snowballed" in the same way into the Southern army.

Hankow fell to the Cantonese forces in the autumn, and after a short interval the government was transferred there from Canton. It is unnecessary to describe the grave series of events which have since occurred, and any survey of the military situation would under existing circumstances be out of date long before it reached the reader; but the spectacle of successive splits between moderates and extremists, which was so marked a feature of the Russian Revolution, is being re-enacted. At the time of writing a struggle has begun between Chiang Kai-shek, the "moderate" Commander-in-Chief, and the Communists entrenched at Hankow. An alternative government has been set up by the former at Nanking, and a state of war now exists between Hankow and Nanking, as well as between both of them and the North. The Communists are being driven out of Canton and other southern places by the friends of Chiang Kai-shek. An attempt, apparently abortive, was made by Hankow to secure Feng Yu-hsiang as Commander-in-Chief in place of the latter. Feng is still with his army in the wilds of western China, the dark horse of the situation.

## Militarism

### IV. MILITARISM

**I**N the present revolution nationalism and militarism are opposed forces; but here again the difficulty of language crops up, for in China the word militarism means something quite different from militarism in its ordinary sense. In the first place, it means the political domination of a certain portion of the country by peculiarly Chinese organisations known as military cliques and, secondly, the subjection of the civil population to the arbitrary will of the hordes of soldiery which fill the country. The first applies to all of China which is not under the direct control of the Kuomintang; the second to the whole country, except the comparatively few places where the troops are under proper disciplinary control, or in the case of the South, where they were held in check by the civil power backed by labour unions.

To realise the position in the North it must be understood that the Chinese military clique is not a mere *junta* of professional soldiers. In the time of the Empire the military arm was kept more or less in the background. Every provincial governor had a military colleague in the person of the Tartar-General, but the administration was essentially civilian in character and the military enjoyed comparatively little prestige. Early in the present century Yuan Shih-kai, then a servant of the Manchus, began to modernise the troops and introduced weapons and equipment of the European type. By the 1911 revolution the change had been effected from a mediæval to a modern army. The latter played a leading part in the struggle, and, as is usually the case, the revolutionary generals demanded, and obtained, positions of power under the new republic. Yuan Shih-kai's presidency was, indeed, based on military force, and the natural result was a development of military at the expense of civilian authority in the administration of the country. The provincial military governors,

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the counterparts of the old Tartar-Generals, exalted themselves over their civilian colleagues and earned for the name of *tuchun*\* the opprobrium it now carries with it.

After Yuan's death the disintegration of the central authority led to the endless party wars for the control of Peking and the possession of individual provinces which have filled the better part of the last ten years. The parties, or cliques, engaged in this struggle have had various origins, but broadly speaking they represent groups of soldiers and politicians united by the bond of fellow-provincialism or by some other common link. Some of the parties, for instance, the Anfu and Chiaotung cliques, were more political, others—the Chihli and the more recent Mukden (Fengtien) and Shantung combinations—more purely military. In all cases, however, the groups centred round a military leader, generally a “hero” of the 1911 revolution. The names of Tuan Chi-jui, Chang Tso-lin, Wu Pei-fu, Tsao Kun and—to come to a later date—Feng Yu-hsiang, the “Christian General,” and Chang Tsung-chang, *tupan* of Shantung, will be well known to the reader. Every party contains a nucleus of army generals who rose to prominence in 1911 or under Yuan Shih-kai, and a number of politicians, chiefly of the older type, not a few of them men who held office under the Manchus and enjoy something of the prestige of “elder statesmen.” In the course of the *tuchun* wars, the successful parties had acquired military recruits in subordinate officers who had done good service to the party leaders in their struggles with their rivals and been rewarded out of the “spoils” with the governorships of provinces. Thus provided with independent means of maintaining and increasing their troops, these new generals—some of them had risen from the position of coolies—have become minor “warlords” of a type comparable with the self-supporting robber-barons

\* The changes in the appellation given to military governors of provinces during the Republican era are confusing. Originally called *tutubs*, they later became *tuchuns*, and are now termed *tupans*.



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of mediæval Europe. A prominent example is the notorious Shantung *tupan*, Chang Tsung-chang, who became almost as powerful as his overlord, Chang Tso-lin.

A digression is now necessary to glance at the state to which the country has been brought as a result of political power passing out of the hands of a stable central Government and of provincial governors regularly appointed from Peking into the hands of these military parties, which succeeded each other in the momentary control of the administrative capital, and of the semi-independent *tuchuns* who "hold" and "squeeze" their provinces for as long as their party remains in power. It is no exaggeration to say that throughout the greater part of China the population is completely at the mercy of the man with the gun, or, to be more generally correct, with the Mauser pistol. For millions of Chinese peasants life is expressed in terms of "ping," that is "soldiers." The word implies almost inconceivable misery. To be "squeezed" by those in authority is the accepted lot of the peasant, but before militarism took shape the extent was regulated and more or less calculable. It had its limit, for after a certain point a district would turn and bring the traditional Chinese weapon of riots and trade-guild strikes to bear against the officials. To-day masses of brutalised, undisciplined, and unpaid soldiers are moving about the country eating it up like locusts, taking the farmer's cattle and crops, stealing his tiny savings, cutting down his trees, and even tearing the timbers out of his roof to use as firewood. Meanwhile the trading community suffers in other ways. When a military commander quarters himself on a town the merchants are lucky if they are not immediately called upon to make a loan of many thousands of dollars on purely nominal security. The various leaders issue military notes which are used to pay the troops—when the latter are paid at all—and forced at par on the banks and the shopkeepers under fear of punishment which on occasion does not stop short of decapitation. As the free exchange value

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of the notes is often no more than a quarter of the engraved amount, their imposition on the public is a camouflaged form of robbery. The military chiefs control and abuse the productive public services with the partial and diminishing exception of the Maritime Customs and the other foreign staffed services, to wit, the Posts, the Salt Gabelle, and one or two of the railways. The country, moreover, is taxed to the bone to provide munitions of war, whether bought from countries abroad which—unlike Great Britain—are not bound by, or choose to ignore, the international arms embargo, or else manufactured in the native arsenals. The largest of these, at Mukden, is said to consume more than half the total revenues of Manchuria.

This grim picture is only rarely relieved by examples of discipline and a decent conception of civilian rights. The exceptions are chiefly to be found among the Kuomintang forces, notably the Cantonese troops proper, the "First Kuominchun," and Feng Yu-hsiang's own army which gained a brilliant reputation for good behaviour when it was in occupation of the metropolitan province last spring. The Mukden armies too, in certain districts, are retrieving something of their old disastrous reputation. Such exceptions to the general rule are, however, few and far between. The country as a whole suffers under the scourge of a couple of million armed men, the majority of whom are little better than brigands and the cost of whose maintenance is by itself a crushing economic burden.

Such is the condition to which China has been brought by ten years of increasing administrative anarchy and continual fighting between rival "warlords." As regards the latter an important change has taken place in the last nine months since the successful march of the Cantonese expedition to the Yangtze and its capture of Hankow. The threat from the South had the immediate effect of uniting all the Northern *tuchuns* except Feng Yu-hsiang. An alliance was formed by the three military chiefs of Northern China: on the north Chang Tso-lin, the head

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of the Mukden party; on the west Wu Pei-fu, the head of the Chihli party; and on the east Chang Tsung-chang, the *tupan* of Shantung. The allied forces, known as the Ankuochun ("Pacification Army") were placed under the supreme command of Chang Tso-lin, whose army was the largest and best equipped of the three. Thus for the first time since Yuan Shih-kai's death the Northern militarists have lined up under a single leader.

The question arises whether this unified force is to be regarded as merely the latest phase of rapacious "tuchunism" or whether, as claimed by the Mukden apologists, it represents a new political growth, which, if it succeeds in defeating its opponents, may develop into a sound national Government. It is certainly true that the dominant Mukden party has active adherents among the younger foreign-educated civilians who, in conjunction with some of the older politicians and a few of the best of the generals, have patriotic feelings and are anxious to save their country from further exploitation by individual militarists. They declare that they are as much concerned for the rehabilitation of China as the Nationalists themselves, and that their programme is more practical than the Nationalists', because their aim is to set up a constitutional dictatorship which is, they contend, the only form of government appropriate to China in her present state of political development. A certain number even of the students are stated by missionaries, who are in touch with this class, to be transferring their hopes to the Northern party as offering the only practical, however devious, route to the attainment of their ideals. The adherents of the Northern party hold, however, that no start can be made in the direction of political reform till bolshevism is crushed and the provinces united by military action. They deplore the bad name which their party has acquired by association with men of the Chang Tsung-chang type and assert their intention of purging their ranks as soon as possible. In the China of to-day a man with a large army at his back, however

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undesirable a partner, cannot easily be got rid of, and there are hints that the despatch of the Shantung *tupan* to fight the Nationalists at Shanghai was only a variation of King David's method of dealing with Uriah. To sum up, the case of the Northern party—a case little known abroad, since the North have no propaganda to compare with that of the South—is that underneath the militarist régime there is a ripening political force which aims at peace, unification and slow but steady reform on typical Chinese lines as against the revolutionary and largely exotic methods adopted by the Kuomintang.

Men and parties must be judged by their fruits. Little justification for faith in these professions is to be found in Chang Tso-lin's own record, yet it is not entirely wanting. As autocrat of Manchuria he has shown administrative capacity and done much to develop the country which, but for the crushing burden of taxation imposed for military expenses, would be in a highly prosperous state. Foreigners who have travelled much in China have been known to express the opinion that the Manchurian provinces are better administered than any other part of the country, not excepting Canton. Chang himself can hardly, however, be reckoned as anything else than a hardened political reactionary, and confidence in him is waning in view of his habit of gambling, which is said to be near the verge of mania. He has, on the other hand, shown undoubted genius in selecting his entourage. Its outstanding personality is General Yang Yu-ting, his chief adviser—one might say his Grand Vizier. Yang is a man of forty, educated in Japan, and without any knowledge of English. His superior education and intellect give him great influence over his chief and he is already generally regarded as the "power behind the throne." It is in him that the hopes of the progressive members of the party are centred.

But this sketch must now be brought to an end. It is not complete. It does not, for instance, explain why the Chinese, who in the mass are an essentially friendly tolerant

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race, are anti-foreign, especially anti-British, nor what is to be said on the other side. These questions must be left over for some future occasion. When we come to them, however, we need not concern ourselves to show how one-sided and distorted the picture is as the Chinese see it. What matters is that it is the picture that fills thousands of Chinese minds and supplies the groundwork for the anti-foreign and anti-British sentiment among the educated classes.

China. April, 1927.

## APPENDIX

The following is an extract from a statement by Mr. Eugene Chen which appeared in the *Manchester Guardian* on May 4 last.—ED.

Russia has no influence on our foreign policy. Russians do not understand England and never will. We owe the Russians a great deal. What they have given us is technique. Our struggle in China is one against feudalism. We tried to combat it with Parliamentary institutions, and they were a complete failure. What we are now trying to do is to substitute government by party for government by individual feudalists. That is a great step forward, and we have learnt from the Russians how to do it. One of the fundamental weaknesses of us Chinese is unwillingness to take responsibility. The system of party government we have adopted from the Russians frees each individual from too heavy a burden of responsibility by making him the unquestioning instrument of the party. Each man is free to discuss until the party takes a decision. He is then bound to carry out that decision, and the responsibility for it is not his but that of the party as a whole. Parliamentary institutions did not work in China. We have proved that this method does. We do not want Mussolini government. We have had quite enough of it in every province in China. For the individual we substitute the party, and that idea is enough to enable us to bring China out of her feudal period, the last smouldering fires of which you can observe in Chang Tso-lin and similar warlords. In all this (referring to party government borrowed from the Russians) there is no bolshevism whatsoever. I do not believe that the ideals of the Communists are realisable for some twenty thousand years, until man evolves into some new order of intelligence.

## FASCIST RULE AFTER FIVE YEARS

### I. THE SYNDICATES

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AT the beginning of this year the Secretary of the Fascist party proclaimed its motto for 1927 to be: "All power to all Fascism." One would have thought that nothing still remained to do. The stress that Fascists still lay on this motto is, therefore, significant. As doubts grow among the different classes, they naturally have to look with increasing care to the instruments upon which their power depends. For, as Mussolini told the French review, *Candida*, the other day, it rests not upon the will of the people, but on force.

The Government and the Party are, therefore, concentrating upon the consolidation of their position both in the economic and the political field. In the former the Syndicates Law is occupying their attention. This measure, which breaks up the population into syndicates, was passed on April 3, 1926. The syndicates—every kind of activity in a given district is to have two, one for employers and the other for employed—are the foundations upon which the syndicalist State is being built. Next, as we ascend, come the Provincial Federations, which are themselves formed by the syndicates in each province. Over these again are twelve National Federations, six for employers and six for employed, representing industry, commerce, agriculture, banking and transport by land, air and water, together with two special bodies for the professions and the handicraftsmen. Then come the two



## The Syndicates

Confederations, into which the syndicalist State is divided, themselves constituted by the twelve National Federations, and finally, at the apex of the pyramid stands the Minister of Corporations, Mussolini himself, with the National Council of Federations.

It proved a difficult task to classify the nation's activities, and it took a long time to constitute the syndicates. The gigantic structure is now, however, nearly finished. What it will be like complete, with its nominated syndicalist parliament and other more or less ornamental additions, it is, however, still too early to say. All that we can do at the moment is to watch its working, and especially see how the relations between employers and employed are regulated. For that is its only important function. It is certainly the one which is most likely to interest foreigners.

The Law was still a Bill when we described its provisions a year ago,\* but there are no important modifications to record. The labour courts have been set up, but they have not yet had anything to do, for there has been no conflict between employers and employed of a kind to call for their intervention. Strikes and lockouts are prohibited.† This does not mean that things have gone altogether smoothly. As Signor Benni, the head of the Fascist Federation of Industry, recently admitted, there have been incidents—stoppages of work, impositions, violence and other troubles. But there has been nothing serious, and work under the new law has so far mainly consisted of arranging new collective bargains and revising the old ones. There were more than 1,000 such transactions in 1926. In these the working man has bettered his position, sometimes to a marked extent. The general impression in industrialist and agricultural circles was, indeed, that the Fascist secretaries of his syndicates outdid the secretaries of the old Socialist and Catholic leagues in their intransigence.

For the rest, two conclusions stand out. First, syndi-

\* THE ROUND TABLE, No. 62, March 1926, pp. 256-266. † Ibid. p. 261.



## Fascist Rule After Five Years

calist reform and the syndicalist State are, it would seem, simply a way of perpetuating the domination of the Fascist party; secondly, the regulation of industrial relations is governed by purely political, one might even say partisan, considerations rather than by economic ones.

A single illustration will suffice for the first point. One syndicate only, it will be remembered,\* can obtain legal recognition for each category in a given district, and at least 10 per cent. of the members of such a category, either employers or employed, must be included. The law further makes "good political conduct from a national point of view" a condition of entry. What is the result? The door is closed against you if you are not, or—what is worse—if you do not pretend to be a Fascist. These syndicates do not, therefore, really represent all the members of a given category, only an *élite* selected on purely political grounds. The *mot d'ordre* in their formation is: "Ignore quantity; pay attention to quality." The new syndicalist structure is, in consequence, at the disposition of the Government and the Party from base to apex. There is no mystery about it. On March 5, the Secretary-General of the syndicates himself said at Milan: "Fascism may do what it likes with the syndicates because the fundamental truth is that the syndicates are Fascist, exclusively and desperately (*sic*) Fascist."

Now for the second point. The exchange has steadily improved since Mussolini introduced his revaluation policy last summer. The lira was 150 to the pound in August, by April† it had dropped to 100 or less. As the index figure for wholesale prices also fell from 691.35 in August to 597.90 in March, one would have expected a corresponding drop in retail prices and wages. In point of fact, a reduction of wages was more than once attempted by industrialists or farmers. The Government, however, always stood in their way, and in certain cases wages have

\* See THE ROUND TABLE, No. 62, March 1926, p. 260.

† As this article goes to press the exchange is 91 to the £.

## The Syndicates

even had to be raised. Last February, for instance, when rice, a staple article of Italian diet, followed the example of corn, and fell from 160 lire the quintal to close upon 100, the farmers proposed to knock two lire off the daily wages of the *mondine*.<sup>\*</sup> The *mondine* syndicates, however, immediately protested through their Fascist secretaries. They did more. They counterclaimed for a rise of two lire. When the employers appealed to the Government it backed the *mondine*. So the employers had to give way. They accepted its ruling "only," as they put it, "for the sake of discipline." Other instances could be cited to show that political considerations are the determining factor in such cases. The Fascist Government favours whichever class suits its book. At first it was for the industrialists and the farmers, because it attained power by their aid and depended upon their support to keep it. Now, however, that they are discontented with the sound financial policy adopted to stop inflation and restrict credit, the Government has transferred its favour to the working classes. To-morrow it may swing back again. These circumstances destroy most of the interest of the Syndicates Law for the foreign student, because they are peculiar to Italy. And even if they were an inseparable accompaniment of a constitution which like the Fascist is based on syndicates, it would be permissible to ask whether the advantages of such a system are sufficient to make up for its evils, *e.g.*, the loss of all public and private liberty.

<sup>\*</sup> The women who weed the rice fields.

## Fascist Rule After Five Years

### II. FASCIST EXCLUSIVENESS

**B**UT exclusiveness is not confined to the syndicates; it is found in everything. Italian life, in all its manifestations, has to bear the hall-mark of Fascism and nothing else. The lictors' *fascies*, till yesterday the emblem of a party, have become the national emblem. The calendar dates from the coming of the Fascists into power. One reads "Vth year" on the title-page of one's newspapers. The Fascist salute is compulsory in public offices and schools. No State or commune employee is allowed to express any political ideas opposed to Fascism, or to offer the slightest criticism of it. All secondary and elementary school teachers have had to declare their submission to the Fascist creed, and failure to do so has meant dismissal. (It was the same if the teacher was known to have formerly belonged to some other political party.) University professors are required to sign an oath of allegiance. Last March the Minister of Education told the Chamber that his task was the *fascistisation* of the schools. He had, he said, kept all anti-Fascist professors out of the universities, even those who had taken a "first" in their examinations. The Government party has monopolised the whole moral and physical education of the young, both inside and outside the schools. It is now entrusted to the *Opera Nazionale Balilla*. No other organisation is permitted. Those already in existence, except religious ones in towns of less than 20,000 inhabitants, were dissolved, notwithstanding the repeated protests of the Pope.

In the administration of justice this exclusiveness is even more felt. The independence of the judiciary has not been spared. Seventeen judges—to give a single instance—were dismissed "for having expressed opinions contrary to the régime," and on December 8 attention was publicly drawn to their punishment as a warning.

## Fascist Exclusiveness

When a public official, magistrate, professor or teacher is punished for such opinions, it must obviously generally be for something said in the course of private conversation, as any expression in public is out of the question. Indeed, every way of airing an opinion on politics has been ruthlessly suppressed. [N]obody can speak at elections except the Fascists, and they pour scorn on the very idea of an election. The Chamber of Deputies, as everyone knows, does not really function. It meets at rare intervals for short sittings, at which there is no discussion of any kind. Its business is to pass the Executive's provisional decrees into law. Last November 120 Opposition deputies, the section known as the Aventine, were deprived of their seats by its vote. [H]ow long Mussolini will tolerate the Chamber's existence no one knows, but if rumour is to be trusted, the King objects to its formal abolition. The Fascist plan is, however, to have instead a Chamber composed of representatives of the syndicates nominated by Mussolini, which would have no legislative power and merely be consulted on technical questions. The electoral system has already been abolished for municipal councils. The provisions of the law of February 4, 1926, which did away with elections in communes with less than 5,000 inhabitants, was extended last August \* to all of them. Their administration is now entrusted to a *Podestà* nominated directly by the prefect and indirectly by Mussolini. Citizens pay rates and taxes, which are becoming heavier from day to day, but they have no voice in public affairs. The electoral system has, indeed, fallen so completely from favour that it has been abolished even inside the Fascist party. Secretaries, consuls and other high officials are no longer chosen by the members, but nominated from above.

The abolition of the electoral system would not matter so much if the press had been spared. But the press has been subjected to treatment which has no parallel

\* Law of August 30, 1926.

## Fascist Rule After Five Years

anywhere. A Press Law was passed at the end of 1925.\* Its character was repressive, but it at least left some newspapers in existence which were known not to be mere mouthpieces of the régime. Last November, however, this law was superseded by arbitrary action. All the papers except the subservient ones were suppressed. Certain important journals, such as the *Stampa* of Turin, formerly Signor Giolitti's organ, which like the *Corriera della Sera* of Milan used to represent moderate Liberal opinion, were suspended for a month, and the proprietor of the former was given the chance of either selling it to someone who was *persona grata* to the Government, or of seeing it confiscated and republished by the Fascist party. In this way Senator Frassati was driven from the *Stampa*, which was taken over by Signor Agnelli, of the Fiat firm, just as Senator Albertini had been driven from the *Corriera della Sera* in the previous November. Neither of these papers has yet become an official organ of the Fascist party, but their independence is limited and they have to praise its actions and the Government's. Like every other newspaper in Italy, they are told by the prefect every evening by telephone what news they may publish and what comments they may make. These orders are later confirmed by a written notice which the editor has to sign. No journalist can be employed without the consent of the authorities. All the best ones of the old Liberal régime who have not renounced their political faith have been dismissed and obliged to emigrate or to change their occupation. The result is that Italian newspapers are nowadays all the same. They keep on saying the same thing in the same emphatic manner. A deadly monotony has taken the place of live discussion.

*La dispute est d'un grand secours.  
Sans elle on dormirait toujours !*

The Italian public evidently agrees with La Fontaine.

\* Law of December 3, 1925. See also the rules of March 4, 1926.

## The Defence of the State Law

It avoids reading the papers so as to keep awake. Many of them are in a bad way. Some are actually defunct, and others have amalgamated, but not a single one has increased its circulation. The only newspapers, indeed, which have a better sale to-day in Italy are the French.

### III. THE DEFENCE OF THE STATE LAW

LAST autumn an attempt was made on Mussolini's life at Bologna, and on November 19 the new capital punishment law was passed by 341 votes to 12. Some additions were also made to the Defence of the State Law. The most important were the following. All passports were withdrawn as from the beginning of November and it has become very difficult to get a new one, even if you are not politically suspect. If you are known to have entertained non-Fascist views in the past, it is hopeless whatever your need. There are severe penalties for leaving the country without a passport, and a special service has been organised at considerable expense to stop people trying to cross the frontier by land or sea without one. This service is entrusted to the Fascist militia, which has orders to use its arms if necessary. In spite of all precautions, however, many people get away, and there are now a large number of Italian political exiles in different parts of Europe, especially in France.

Besides the suppression of the non-Fascist press, all the political parties except the Fascists have been dissolved, and any attempt to revive them is visited with from three to five years' imprisonment. Their membership had already been reduced to a handful even before November. Associations have also been done away with, whether they had direct political aims or not. The Fascists have, indeed, carried things to such a point that even literary, scientific and artistic clubs are under their control.

Other repressive measures were the *diffida*, the *ammoni-*

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*zione* and the *confino*. The first is a simple police warning not to do, say, or write anything against the Fascist régime, and the person who receives it has to sign it. There are writers with a European reputation who have had to do this. One of the fiercest Fascist crusades has been against the intellectuals. The *ammonizione* (admonition) is the punishment which attends disregard of the *diffida*. The offender is forbidden to leave his town or village, and has to present himself to the police at regular intervals, and to be indoors every evening by eight o'clock. The keys of his house must be left with the police. The *confino* (forced residence in some prescribed locality) is for "incorrigible opponents" of Fascism. The first move is generally a communication from the police informing the accused that, according to "information received," he has been denounced as an opponent of the régime. The next step is a special commission presided over by the prefect and other officials, before which the accused has to "make his defence." If this is not satisfactory, he is arrested and if he fails within ten days to sign a written declaration promising the Prime Minister to submit to the Fascist régime, he is sent to a colony, or a Sicilian island, or a hill village in the Basilicata or some other southern province, where he is put in the same building as common criminals who are finishing their term with a spell in the *confino*. He is let out every day at 7 a.m., and has to be back by 5 p.m. He is not allowed to mix with the local inhabitants or to enter any public building or meeting. If it is an island, he may not go near the sea. He may not practise his art or profession. An allowance is made to him of 10 lire a day for his keep.

A secret police has been set up under the control of the Fascist militia, and its ways are a mystery to everybody except the unfortunate individuals who find themselves arrested for having expressed themselves to some supposed friend in insufficiently enthusiastic terms about the present situation. *Concierges* are all registered, and it is their duty, on request, to give the police information about



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suspected residents; how they live, what company they keep and what newspapers or other literature they take in. Every citizen has to have an "identity card," bearing his photograph, personal identification mark, and particulars about his profession, etc. If he is suspected of non-Fascist views, his finger prints must also be shown. Without this card no Italian can engage a room in an hotel when he is travelling. People who send abroad "under any form whatever rumours or false, exaggerated and tendentious news and information about the internal condition of the State, which is calculated to lower the credit and prestige of the State" are liable to imprisonment for from five to fifteen years.\* Not even foreigners are immune. A German journalist got thirty days' imprisonment with costs in Genoa last March for having sent his paper articles and photographs which the court considered to be a calumny on Italy. Cases under the Defence of the State Law are tried by a special tribunal, with a general in the army or the Fascist militia as president, and five officers of the Fascist militia as judges.

### IV. MUSSOLINI AND NAPOLEON III

NO one can fail to be struck by the resemblance of the Defence of the State Law to the *Loi de Sûreté Générale* which Napoleon III had passed in 1858 after the Orsini affair. In both cases the motive was danger. Napoleon, too, cancelled passports, deported his political opponents, dissolved the political parties and had his enemies' movements watched. He also got entangled in a controversy with England about French exiles, which reminds one of Mussolini's with France. The second Empire and Italian Fascism have, indeed, many points of likeness.

There is, for instance, hardly a Fascist decree, the counterpart of which you cannot find among the repressive *décrets-*

\* Article 5, Defence of the State Law.

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*lois* of the second Empire. Neither régime spared any effort to concentrate "all power in the Executive." Under the 1852 constitution the French Parliament was reduced to impotence. Fascism has done the same with the Italian Parliament. The Fascist law extending the powers of the prefects might have been copied from the *décret-loi* of March 25, 1852, which made the French *préfet* omnipotent. Under both régimes liberty is crushed in the provinces. The Italian *Podestà* law is the counterpart of the laws (July 7, 1852, and March 5, 1855) which gave the nomination of the *maires* to the *préfets*, and so indirectly to the Emperor. The revision of the Italian penal code by the Fascist Minister of Justice is on the same lines as the reform of the corresponding French code in 1853. The object in either case was prompter and more drastic repressive measures. Fascism dismisses judges and magistrates who refuse to be its vassals. The second Empire got rid of all the magistrates of the former régime on the pretext of old age.\* The treatment of the Italian university professors is no novelty. The *décret-loi* of March 9, 1852, did away with the independence of the French professors and gave the Government the power of dismissing them. By the decree of February 17, 1852, the French press was subjected to the same treatment as the Fascist law of December 3, 1925, dealt out to the Italian press. Even the official bulletin, the *Foglio d'Ordini*, finds its prototype in Napoleon's *Moniteur*.

The parallel is even more striking on the imponderable side, if one compares moral, political and social ideas under the two régimes. Similar conditions, parliamentary paralysis, sterile debates, recurring crises and threats of an upheaval, led in each case to the *coup d'état*. France had to trample on legality to revive the authority of law seventy years before Italy did the same, and Napoleon III, in the first phase of his rule, had the support of both industrialists and agriculturists, just as Mussolini had. The

\* Decree of March 1, 1852.

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latter's great idea is to put the State on a hierarchical basis. It was also Napoleon's. Compare his famous words at the Tuileries on New Year's Day, 1852: "For a long time society has been like an inverted pyramid resting on its apex. I have put the pyramid back on its base." Long before Mussolini's time Napoleon went about saying that people did not want liberty, but railways, ships, roads, bridges, opportunities for trade, etc. Both call commercialism "realism" and set it against Liberal and democratic ideology. Both try to distract people's attention from public affairs; politics and criticism of the Government are taboo. *Nil de principe, nihil de deo*. By way of compensation everything is done to stimulate private enterprise and the spirit of gain. But the atmosphere of public life is in either case a deep silence broken at intervals by spectacular events, feasts, exhibitions, pageants, artistic and sporting shows, etc., calculated to appeal not to the mind—which must be kept inactive—but to the imagination—which has to be excited. Under both régimes, too, we find emblems everywhere—the expression, as it were, of a common idea bearing the official stamp: under Napoleon the eagle; under Mussolini the *fascies*.

Every dictator has the same ambition. He wants to suppress, but even more to create and initiate. His boast is speed and the grand manner in which things are done. Resolute daring must take the place of stick-in-the-mud parliamentarianism. It was so under Napoleon III; it is so under Mussolini. Like Mussolini, Napoleon gave the idea at the outset that he meant to reconstruct forthwith the whole economic basis of the country. The same fine visions haunt both men. Napoleon Haussmannised Paris. Mussolini would restore the splendours of Augustus to Rome. Both profess the same regard for the Church and the same care for the working classes. Mussolini honestly believes that he is creating a new civilisation—*novus rerum nascitur ordo!* The workman, he is convinced, will find his heart's desire in his new State. Napoleon's idea, De la Gorce

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tells us, was that "*le despotisme démocratique conduirait plus sûrement que la liberté à l'émancipation des travailleurs.*" Prudhon himself wrote, "*C'est sous le régime du sabre que commencera tout de bon le travail révolutionnaire.*" No wonder there are socialists in Italy, like the former chiefs of the late General Confederation of Labour, who firmly believe in Mussolini's socialism. Lastly, take De la Gorce's picture\* of the second Empire. Could a Fascist fail to see himself in such a mirror?

The dominant preoccupation is at all costs to buttress up authority, and so to endow it that it will be recognised as the only source of all moral and economic progress. The Imperial Government is conspicuous for two things. It is both *compressif* and *progressif*. In the imposition of its will, it does not stop even at brutality; but it sets itself at the same time to gather round it so many advantages that slavery becomes more popular than liberty. Its ambition is to compass by despotic means the well-being which has in the past been so imperfectly realised and hindered by so many obstacles. It would in this way provoke a flattering comparison between the halting gait of the fallen régimes and the resolute movement of the new reign. It combines threats with blessings, terror with delight; it gathers in its hands favours of every description, and showers them upon the people in a beneficent rain, but a rain that falls only on those who fear it. . . . It keeps two lists, one of penalties, the other of rewards, and both are equally inexhaustible. Wherever the inquisitive policeman, the cruel gendarme, the mixed commission which deports you pass, there also pass the economist, the statistician, the engineer, the philanthropist and the man of action; all in a word who have labour to give, who develop wealth, or who help the poor and sick. It is its policy to compel obedience, but to pay profusely for it, and its generosity is particularly marked towards the masses, or, to use the ordinary term, the *working classes*.

A comparison between Fascism and other absolutist régimes has a value for Europe, for it enables it to avoid certain mistakes. There is too much talk about Mussolini and Fascism. It is easy to understand the reason. Distracted by the difficulties left behind by the war, many foreigners wonder whether the Fascists may not have a plan for themselves. But they are doomed to disappoint-

\* *Histoire du Second Empire*, par Pierre De la Gorce, Vol. II, p. 3 (translation).

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ment. There is nothing new in Mussolini. He is no doubt a remarkable character, but to understand him one must turn to the past. His message will deceive no one as regards the future. Fascism is simply an old remedy for an old ill. The arguments it uses to discredit liberty, democracy, parliament and the electoral system, and to extol autocracy, force, bureaucracy, obedience, etc., have often been used before. Some of them can be traced back to Hobbes. They were all confuted by the encyclopædists. The Italian converts to absolutism, the young writers for whom Fascism is the new civilisation which the third Rome is to confer upon the world are simply treating us to a course in political archæology. Fascism's only value for the outside world is as a warning to constitutional governments and socialists. For it was the weakness of the former and the extravagances of the latter that provoked and to some extent justified Fascism in Italy.

### V. THE ITALIAN STANDPOINT

IT remains to consider the standpoint of Italy, taking into account her peculiar historic and economic background. Opinions differ about the merits of Fascism. Its supporters make large claims for it. They say that it has restored the State finances, stimulated public works—eight milliards of lire are being spent in this way at the moment—improved the public services, encouraged the mercantile marine, assisted industry, commerce and agriculture, re-established order at home and raised the prestige of Italy abroad. It has also, they say, carried out all sorts of reforms with thoroughness and despatch. In the moral field, they point to the spread of discipline and obedience to law and constituted authority, the noble zeal for improvement, the enthusiasm for national enterprise, the spirit of emulation and of self-reliance, so weak under former régimes, the virile military training and the devotion to country.

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Fascism's opponents, on the other hand, to take the State finances first, say that it is impossible to analyse them, and even if it were possible, it would be of no use, as discussion is not allowed. The budget figures have to be accepted at their face value. They consider, however, that the enormous scale of public expenditure justifies doubt, for it could hardly be met out of ordinary revenue. The fiscal pressure is almost intolerable. As to public works, many of them were, they say, not strictly necessary, and only started, especially in the south and the islands, to win support. Instances of corruption are, they point out, of frequent occurrence both in the placing of tenders, where control is out of the question, and in the public administration. Fascism's assistance to industry, commerce and agriculture is admitted, but it could not alter economic laws or stave off the present crisis. The Government prevented strikes, but it could not prevent unemployment. It has protected certain industries with its duties, but it could not give them the capital which they are now looking for abroad. Foreign loans, whether dollars or sterling, may help industries to develop, and the Government to bring down the rate of exchange, but, if the critics are to be believed, they will end in the enslavement of Italy to foreign capital. As to the moral field, whatever virtues Fascism has to its credit are, in their opinion, more than counterbalanced by the evils—servility, flattery, insincerity, espionage, want of dignity and moral courage, which every despotism brings in its train. And they meet the boast about the revival of Italian patriotism with Voltaire's famous retort : a man who has no part, direct or indirect, in the government of his country can neither consider himself nor actually be a good patriot.

There is probably truth on both sides. On one point there is complete unanimity. Whatever one may think of the régime, it is not going to fall. It has plenty of difficulties. There is a veiled but real conflict between it and the monarchy. There is an open though courteous conflict



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between it and the Vatican. Among the people themselves silence now reigns supreme. Not a breath disturbs the languid air. Fascism's popularity seems assured. The reality is different. It has lost a good deal of industrialist and agriculturist sympathy without breaking down the distrust of the masses. Practically all the intellectual elements are against it. There is an acute economic crisis; the cost of living has not gone down; taxation is incredibly heavy; there is a vague feeling of uneasiness. But the end is not yet. With the old constitutional machinery smashed, the parties wiped out, opposition annihilated, and all expression of thought suffocated, no peaceful change is possible. On the other hand, there is an armed oligarchy, some hundred thousand young men of the middle and lower middle classes who, after the war, faced with the phantom of poverty, threw themselves into the Fascist revolution. They know what they have sown in the way of hatred, and with possible reprisals in mind, they are not going to relax their grip on power. Some expect the end to come after an external shock. But Mussolini's foreign policy has proved wiser than the words he likes to utter. Credit cannot, indeed, be withheld from him for the way in which he has drawn the attention of the world to the problem of Italy's superabundant population, though the only visible result so far is a not unreasonable apprehension.

With the contingency of war ruled out, it is impossible to say what the future has in store. Perhaps the régime will gradually soften as it gains experience. It may drop some of its theories, abandon its reactionary laws and restore a certain amount of freedom. *Solvitur ambulando*. But the anxiety which the present situation inspires must not blind us to the other side of the picture, the adaptability of the Italian masses, their historic traditions, the inconclusive character of their brief experiment in freedom, their tendency to lean to the materialistic view in politics. With such factors to aid it, Fascism may continue, even as it is to-day, for years to come.



## THE PRESIDENT AND HIS PARTY

MORE than a decade has passed since America first thrilled to the thought of a world made safe for democracy; and half that span has run its course since the electorate was enticed by the prospect of a nation returned to normalcy. It has become trite to comment on the disconcerting celerity with which history makes nonsense of our best phrases. The world is not safe for democracy, and the return to normalcy has been anything but a delight. Demagoguery, however, is holding its own. Mr. William Hale Thompson has just won more than half a million votes and the mayoralty of the great city of Chicago by attacking King George the Fifth and Buckingham Palace under the slogan "Shall it take seven Yanks to equal one Englishman?" And this for Chicago is deplorably normal. So human events take their ironic and uneven course and the nation prepares with fortitude for its greatest sporting event, the quadrennial presidential election held in every city, town and unorganised plantation of the United States on the first Monday of November, 1928. It is still a good while away, but by no means too remote to engage the ardent contention of politicians and party leaders and the furious speculation of newspaper writers.

To foreigners and those who look with detachment upon American politics, nothing is more remarkable than the artificiality of America's bi-partisan party government. Every four years the Republicans of the country are lashed into a fury of excitement and apprehension lest the Democrats get control of the national government, and the

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Democrats burn with zeal to wrest authority from the party of special privilege and wealth. And what actually is the difference? Seventy-five years ago there was the moral and the economic issue of slavery between the two parties. Twenty-five years ago there was Free Trade for the Democrats and Protection for the Republicans. Even to-day a few stalwarts go to the polls to vote for Abe Lincoln's party or Andrew Jackson's party. But these people are getting constantly fewer. It is generally recognised that the Civil War is over, just as, outside of Chicago at least, we have made our peace with King George the Third. Nor is the tariff a live issue of the American party system to-day. Nobody imagines that if a Democratic administration were to take office in the spring of 1929 the protective tariff would be abolished. We should simply have a change and "protect" different commodities and in different degrees from those which we now protect. Most Democrats make no profession to the contrary. A leading Democratic Senator, Bruce, of Maryland, has recently observed in discussing the issues open to the Democratic party: "With the creation of the Tariff Commission and the enactment of the flexible clause of the present tariff law, the old classical tariff controversy between the Democrats and Republicans has been superseded by mere competition between different degrees of protection." Thoughtful Americans know all this perfectly well. The Republican party leaders know when they are haranguing their multitudes that the Democrat whose election they oppose so vehemently is quite likely to vote for exactly the same policies as the candidate whose election they argue to be essential to the national welfare. If this is true in national politics it is trebly so in State politics. State legislatures are often in session an entire winter without a single party vote. Once the Republican floor-leader advocates a particular measure the Democratic floor-leader hastens to advocate the same measure so that no one can claim that this is a party question, and so derive a

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party advantage from forcing the issue to a successful vote.

Why is it that Americans who have a keen enough sense of business realities allow themselves to be satisfied with these dummy parties and fictitious issues? Why is not the issue drawn and the battle fought upon some live question of the hour? Why is not the contest waged squarely between the Imperialists and the Little Americans, between the League of Nationers and the Isolationists, between the Wets and the Drys, between Capital and Labour, or between orthodox Capitalism and Communism? These would be genuine struggles, holding in their outcome something significant for the future of the Republic, if not for the future of mankind. But no. The match must be played in the old uniforms. It must be the Republican-Democrat match. It has drawn the crowd for two generations, and the managers will be slow to risk putting on other teams.

The truth is, that in the field of ideas, abstract and political, the American people are of all people the most conservative. They will scrap a factory worth millions to erect a still more expensive factory which they hope will be more efficient. But they are quite willing to keep the political factories on the output of the 'eighties and the 'nineties, and they will spend millions in advertising the timeworn product. Of course, they realise as keenly as any foreigner how hollow are the ancient fictions. But they defend, if they take the trouble to defend them at all, by saying that it is much more wholesome for the country to be torn quadrennially asunder by these fictitious issues than by issues which would really and seriously stir or divide the nation; as, for instance, radical and conservative parties might divide it. And probably they are altogether right. As long as men will rally to the old party organisations and be loyal to the old party symbols, it is far better that they should. The lines of cleavage between the present parties cut athwart not only social classes, but all

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manner of opinions upon current questions. The parties absorb the shocks of social and economic controversies and tend to keep the nation from extreme policies in any direction.

To be sure, third parties crop up every now and again. In the 'seventies, for instance, there was the Greenback movement. In 1912 ex-President Roosevelt split the Republican party by his Progressive revolt. In 1924 the late Senator La Follette, of Wisconsin, headed a new third party of Progressives who made their attack upon the authority of the United States Supreme Court and sought to subordinate its position to that of Congress as the final arbiter of the Federal Constitution. But no substantial third party movement has ever been long-lived. It has been decidedly the type of exception which proves the bi-partisan rule. In 1924, for instance, the Republican managers made excellent strategy of a rather wilful inability to distinguish between the conventional Democratic Opposition and the new third party. The Democrats, they insisted, were Progressives under the skin. It was in vain thereafter that the Democrats protested their repugnance to such an alliance. In the Republican books a vote for the Democratic candidate, John W. Davis, was a vote for La Follette. Thus, the influence and interest of both the old parties is to crush out defections or new party movements.

Nevertheless, under the name and style of Republican and Democrat, it happens that very real clashes of opinion do occur. For these, however, the student of American politics must look beneath the surface of party designation. Conceding that in 1928 the United States will be standing resolutely to its bi-partisan traditions, we are brought to inquire what the Republican party is to do about the agrarian discontent in the ranks of its middle-western farmers. Because in the answer to that question we are likely to learn the identity of the next President of the United States.

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An enthusiastic local poet, in a popular effusion entitled "Where the West Begins," defines its boundaries in a variety of phrases, and not least by this :

Where the hand clasp is a little warmer,  
There's where the West begins.

Politically speaking, the Republican west begins where the hand clasp is a little cooler and culminates where it is decidedly chilly. Geographically speaking, the area of discontent covers the wheat and corn States, Iowa, the Dakotas, and some of Kansas, Nebraska, Minnesota, Indiana and Illinois.

The story of the great agrarian coolness begins like many other stories in 1914. That was when the world commenced its increased demands upon the American farmer. The supply of world wheat and corn in that year began to diminish and the demand did not. In the six years from 1914 to 1920 the average prices of agricultural products doubled. Wheat went from a dollar a bushel to two dollars and a half. Corn (maize) rose from sixty cents a bushel to a dollar and a half. Cotton rose from twelve cents a pound to thirty-three cents a pound. The prices of agricultural lands increased in the ratio of the value of the crop. And naturally the crop acreage was increased prodigiously. The acreage under wheat is estimated to have jumped from fifty-four million to seventy-five. Farm lands valued at thirty billion dollars in 1910 were valued at fifty billion in 1920. In agriculture, as in industry, people were shortsighted. The return path to normalcy was full of thorns. In the war all sorts of land were sown to crops, and the value of land was estimated by capitalising the annual value of its produce. The same was true of buildings and agricultural equipment. Unfortunately, finance shared the delusions of the farm. Banks made loans upon the inflated values and took mortgages of the farms.

When deflation came the farmer felt it sooner and more

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grievously than the industrialist. As the upgrade had been quicker on the farm, so the downgrade was quicker. In one year the average value of farm products declined to a point only 25 per cent. higher than the pre-war level. In 1920, cotton went down  $62\frac{1}{2}$  per cent., hides  $52\frac{1}{2}$  per cent., corn 53 per cent., rice 58 per cent., steers 38 per cent., hogs  $33\frac{1}{3}$  per cent., pork  $38\frac{1}{3}$  per cent., lard 47 per cent. At the same time, industrial commodities stuck at 50 per cent. higher. Steel billets declined only  $9\frac{1}{3}$  per cent., pig iron  $8\frac{1}{3}$  per cent. That meant, of course, that in purchasing capacity the farmer was not holding his own with the city man. It took a bushel and a quarter of his wheat to buy what a bushel had bought before. Lately the gap has narrowed, but not closed. The farmer insists that the sweat of his brow is still unable to bring the results that it brought either before the war or during the war. And he has reason.

Therefore, as his farm dollar is not the equivalent to a city dollar, he is being denied, he says, his fair and equitable share of the great American prosperity that everybody talks about, and the great Coolidge prosperity that all Republicans talk about. And since 1920, the year of the Republican restoration, his lot is grown not better, but worse.

So the farmer came to Washington with his woes and Washington heard him. The majority of the Senate committee on agriculture found in his behalf

that the percentage of the total national income which has gone to agriculture has steadily declined since 1920 from 13.8 per cent. in 1920 to about 7.5 per cent. in the last fiscal year 1925-26. Whereas the percentage of our total population in agriculture to-day is 26 or 27 per cent. of our total population, this portion receives about 7.5 per cent. of the total national income.

The farmer blames the tariff. He says it protects industry and not the farm. He says it protects the things he buys, but not the things he sells. This is not true, but it is near enough the truth to be a potent political

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maxim. Flax, sugar, wool, butter and certain classes of live stock are "protected" by the tariff. Agricultural implements and machinery, harness, leather boots and shoes, cattle and horses for breeding purposes, rough lumber, fertiliser materials, gasoline, binder twine, and numerous other commodities are on the free list.

The farmer looks about him, and he sees the oft-reviled railways. They are guaranteed an income; why not he? Ingenious people answered that argument by pointing out that it wasn't so. The railways are allowed by law to earn up to  $5\frac{3}{4}$  per cent. of the value of their invested capital, but that income is not guaranteed them, and actually there have been many years when they lost money. In other words, the only government guarantee was not of a reasonable income, but against an excessive income—which is quite different.

Failing relief by having his earnings guaranteed, the farmer toyed with another project of relief by putting the Government into business. Surplus farm products were to be bought from the farmers at a fair price and exported by the United States Emergency Wheat Corporation, or whatever it might be called, at such price as it might fetch. In this manner obviously the farmers' loss was shifted directly on to the Government. The scheme was too bald to win adequate support. Finally, the farmers' unrest became crystallised into a demand for the passage by Congress of farm relief legislation known as the McNary-Haugen Bill. There have been three successive Bills in the McNary-Haugen dynasty.

McNary-Haugen I provided for price fixing at any level necessary to equalise the position of the farmer with that of the city man as to buying power. Its price-fixing characteristics were so evident that it was defeated. McNary-Haugen II provided for price fixing on crops at the world level plus the American tariff and this Bill was defeated in 1926.

Under the terms of the third McNary-Haugen Bill,



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cotton, wheat, corn, rice, tobacco and swine were designated "basic agricultural commodities" and the policy of Congress was declared to be "to promote the orderly marketing" of such commodities, "to provide for the control and disposition of surpluses of such commodities" and to enable their producers "to stabilise their markets against undue and excessive fluctuations, to preserve advantageous domestic markets, to minimise speculation and waste in marketing," and to encourage co-operative marketing associations. The Bill created a Federal Farm Board, to consist of the Secretary of Agriculture, *ex officio*, and twelve members, one each from each of the twelve Federal Land Bank Districts to be appointed by the President from lists of eligibles to be submitted to him by a nominating committee elected by farm and co-operative organisations. Under the Bill this Federal Farm Board is given \$250,000,000 of pocket money, known as a revolving fund. This is petty cash for a start; the Bill names no maximum limit of appropriations. With this fund the Federal Farm Board may by purchase remove or dispose of any surplus of a basic agricultural commodity, may purchase it and stabilise the price by diminishing the supply, may insure it against "undue and excessive fluctuations in marketing conditions" or finance its purchase, storage or sale. The Bill also creates "commodity advisory councils" of seven members, fairly representative of the producers of the commodity, whose duties are in brief to co-operate with the Federal Farm Board in advising producers and co-operative associations and farm organisations in the adjustment of production in order to secure the maximum benefits under the Act.

All this sounds fairly complicated, and the machinery is fairly complicated, but the idea behind the Bill is not so difficult to grasp. The chief function of this new Federal agency would be to lose money for the taxpayers. This it might do in a variety of ways, but most often presumably, by purchasing surplus commodities at the top price and

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marketing them abroad at whatever they would fetch. To offset this the Bill provides for an excise tax or "equalisation fee" to be paid "on the transportation, processing and sale" of each unit of a basic agricultural commodity. To see how this works, we may take a concrete example. Suppose the world price of wheat is \$1 a bushel; the American tariff is 42 cents a bushel. Ordinarily the American farmer will sell at the world price of one dollar, but if the Federal Farm Board will absorb all surplus at \$1.42 for sale abroad at a loss, then the price of wheat sold at home will, according to the new economic policy of the middle-west, rise to or be stabilised at \$1.42 likewise, so that the proceeds of the American wheat crop will be 42 cents all around greater under the McNary-Haugen Bill. To be sure, the Federal Farm Board loses at least 42 cents a bushel on the surplus marketed abroad, but this loss is made up to the treasury by assessing an excise tax, or equalisation fee as it is called, amounting per bushel on the whole crop to a sum sufficient to pay 42 cents a bushel or whatever the loss is on the crop exported. Thus, if the year's crop is 700,000,000 bushels and 100,000,000 bushels are exported as surplus, the loss to the Government, i.e., the difference between purchase price and world price, would be, say, \$42,000,000, which would be made up to it by an equalisation fee of 6 cents per bushel paid by the processor, who has thus lifted himself by his own bootstraps to the extent of 36 cents a bushel. In the case of wheat or corn, the term "processing" is defined as milling for market; in the case of cotton, the term means spinning, milling or manufacturing.

Obviously the person who would ultimately pay this equalisation fee which pays for the Government's loss is our old friend the ultimate consumer. And it is to be borne in mind that this applies not merely to wheat, but to flour, corn, rice, tobacco, pork and pork products. The Federal Farm Board under the Bill does nothing directly. The Government must not be in business; that would be

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Socialism. But the Board works through its agents, millers, packers and exporters, agreeing to indemnify them against all "losses, costs and charges, arising out of the purchase, storage, or sale or other disposition" of the surplus. And in the case of agreements insuring any commodity against undue and excessive fluctuations in market conditions, the Board may insure any co-operative marketing association against decline in the market price for the commodity at the time of sale.

Doubtful as are the provisions of this Bill as applied to wheat or pork, they are certainly more doubtful as applied to cotton, of which some seventy per cent. of the world's supply is grown in this country and which is on the free list. As to cotton, the scheme is a pure price-fixing scheme for the benefit of the growers. The inclusion of cotton in the Bill was an afterthought merely to catch Southern votes.

Such, then, was the complex and fantastic experiment in economics which came before the United States Senate on February 11, 1927 and received a passage by a vote of 47 to 39. Seven months before, the Senate had defeated a substantially similar measure by six votes. Another project of farm relief, which would have had the support of President Coolidge, was beaten by a vote of 54 to 32. Attempts in the Senate by opponents of the measure to have potatoes, hay, apples and dairy products designated basic agricultural commodities failed dismally. The only amendment accepted by the Senate was one providing that the Federal Farm Board should defer operations in any basic agricultural commodity until it became satisfied that a majority of producers of such commodity desired it. It is not easy to say how the Board would become satisfied of such a sentiment.

On the seventeenth day of February the Bill came to a vote in the House of Representatives. In vain did Representative Tillson, of industrial Connecticut, the Republican floor-leader, assail the fallacies of the Bill, economic and constitutional. Gilbert Nils Haugen, Congressman for

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the 13th session from the Fourth District of Iowa, was the master of the situation. Southern Congressmen who voted against the Bill in 1926 were won over to it. The cotton crop, the great staple of the Southern States, sold for half a billion dollars less on eighteen million bales in 1926 than sixteen billion bales had fetched in 1925. In the face of this harsh fact they were not preoccupied by economic theory. Amendment after amendment was presented and voted down. When the final vote was taken upon the Bill as it came from the Senate, it stood 214 "yeas" and 178 "nays." For the nonce the farmer was relieved.

For a few days the newspapers speculated as to whether President Coolidge, whose opposition to the measure had been known of old, would exercise his constitutional power of veto upon the Surplus Control Act—to give the McNary-Haugen Bill its brief official title—as he had before on the Adjusted Compensation Act to give Federal assistance to the veterans of the world war. Under the Federal and State constitutions this is the only part which an American executive has in legislation. But it is an important one, not only because it requires a two-thirds vote of both branches to pass a Bill over the executive veto, but also because the veto carries with it all the personal prestige and authority of the executive and, as a practical matter, nearly always changes some at least of the votes originally cast for the measure.

Speculation, however, was not for long. Three days within the constitutional period allotted to the President for his deliberation his veto message was returned to the Senate. The President devotes about eleven thousand words to a statement of his objections to this kind of relief and subjoins a five-thousand word opinion of the Attorney-General of the United States upon its constitutionality. He objects to the Bill because it discourages diversified farming and puts a premium upon the uneconomic one-crop method. It gives a sectional "relief" merely, ignoring

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the producers of beef and sheep, dairy products, poultry, potatoes, hay, fruit, vegetables, oats, barley, rye and flax. The Bill guarantees a profit not to the farmers but to the exporters, packers, millers, cotton spinners and other processors. The legislation involves governmental fixing of prices. "Governmental price fixing, once started, has alike no justice and no end." The Bill would not benefit the farmer. The cotton acreage in five years has increased seventeen million acres. If the Bill were to become a law "millions of farmers, each acting independently, with no assurance that self restraint on his part in the common interest will be accompanied by a like restraint on the part of millions of other individuals scattered over this immense country, will do just what anyone else would do under the circumstances, plant and grow all they can in order to take full advantage of a situation which they fear is only temporary." The control by twelve men of the agricultural industry and of the price of the necessities of life gives away unprecedented and despotic governmental powers. "No man can foresee what the effect on our economic life will be of disrupting the long-established and delicately adjusted channels of commerce. That it will be far reaching is undeniable, nor is it beyond the range of possibility that the present Bill, if enacted into law, will threaten the very basis of our national prosperity, through dislocation, the slowing up of industry, and the disruption of the farmers' home market which absorbs 90 per cent. of his products." Moreover, by dumping products like cotton cheap in the foreign market, while we maintain the domestic price at a high figure, we build up foreign competition. The Bill "calls for an aggregation of bureaucracy dominating the fortunes of American farmers, intruding into their affairs and offering infinite opportunities to fraud and incapacity. It does not replace any middlemen or manufacturers; it means that thousands of officials are set to watch them and the farmers to see that they do not evade the requirements." If a Federal

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Farm Board for farm products, why not a Federal Coal Board, a Federal Copper, Lumber, and Textiles Board ? "Such action would establish a bureaucracy on such a scale as to dominate not only the economic life, but the moral, social and political future of our people." And so on, in a stream of merciless but agriculturally unpalatable logic.

The farm leaders will certainly renew their battle at the next session of Congress. But outside Congress greater forces are set in motion. The President has "dashed the hope of twenty millions." He has "slapped hundreds of thousands of intelligent farmers in the face." He has "sentenced the agricultural west to continue to feed the industrial east for less than the cost of production." They are "holding a lodge of sorrow" in the corn belt. Political comments on the veto would fill a little anthology of western invective.

So the Republican party faces the great and solemn referendum of 1928 with the unreconciled and irreconcilable farmers of the middle-west. Will Calvin Coolidge, the cold-blooded New England perpetrator of this constitutional outrage, be able to secure the nomination of his party, or if nominated can he lead it to victory against the hosts of agriculture unrelieved ? This is the Republican rub. And if not Coolidge, then where shall the leader be found ? Is it in Charles G. Dawes, the Vice-President, Chicago banker and son of Nebraska, or in Frank O. Lowden, sometime Governor of the great agricultural State of Illinois, and a man whose interest in the farmer is well established ?

Beside the antipathies of the west, which flout traditional economics, is the antipathy of those who cling to the traditional political conception of "no third term." Senator Norris, of Nebraska, is quite certain that if Coolidge is re-elected the United States is no better than a monarchy. Federal patronage will secure a President in office for life. To be sure, Mr. Coolidge has been elected President of



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the United States but once. As Vice-President he came to the office by the death of President Harding in the summer of 1923, and served only a trifle over a year before his first election to the Presidency. So that his case is parallel to that of Roosevelt, who succeeded to McKinley in 1899. Can this taciturn Yankee lawyer succeed where the strenuous and impetuous hero of the Spanish War failed? There is much which points to an affirmative answer.

The veto of the McNary-Haugen Bill which has cost him so much in the west has made new friends and solidified old friendships elsewhere in the country. The great business interests of the country are with the President. Prosperity is with him, and in another year the agricultural index may rise up to "equalise" the farmer all of its own accord and spare the necessity of legislation. The Governor of the Federal Reserve Bank of the Tenth District, located at Kansas City, has been heard to say that the American farmers are in better financial condition than ever before, and that another good year is in store for them. The banks that failed failed from mismanagement; four out of five should never have been started. And there are some people in the corn belt even outside the banks who agree with him.

It really looks as if the Republican campaign buttons of 1928 would bear the magic name of Coolidge and coupled with it as candidate for the Vice-Presidency the name of a man who pleased the farmers of the corn belt. Maybe Senator McNary, of Oregon; maybe someone else who answered "Yea" when the roll was called; maybe an outsider who joined in the lodge of sorrow when Calvin Coolidge said "No."

United States of America.

April 25, 1927.



# THE ECONOMIC FUTURE OF GREAT BRITAIN

(CONTRIBUTED)

## I. INDUSTRY AND COMMERCE

**I**T is eight years since Peace with Germany was signed at Versailles. At no time in the course of that period has the economic position of this country been satisfactory. There has been improvement, but the improvement has been irregular and on the whole desperately slow. For a time people were content to attribute our economic disorders to "the War." The War seemed to offer an adequate explanation of all the great changes which distinguished post-war from pre-war conditions. It hardly even seemed necessary to ask exactly through what causal chain each such change was being brought about. But, however great the cataclysm, some sort of recovery must follow. To estimate the nature and extent of the recovery we must distinguish, among the causes of our present misfortunes, those which are permanent from those which are transitory. Only so can we form an idea of the economic future of the country, compare it with the past and calculate the loss and gain.

The War interrupted a period of economic progress. What were we then hoping for? The economic position of Great Britain was in several respects peculiar. It was peculiar in respect alike of production, of commerce, and of finance. The British manufacturing pre-eminence of

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the nineteenth century had already been successfully challenged. If our primacy could be said to have survived, it was at any rate no more than that of one who is *primus inter pares*. The British production of iron and steel had been far outstripped by that of Germany or the United States. There remained the special advantage in the *export* trade of the heavy industries, that the coal mines in Great Britain are very close to the sea. American exports of iron and steel and engineering products are hampered by the relatively heavy cost of transport by rail from the mining districts to the coast, which offsets the unique natural advantages of the American coalfields. The German heavy industries are tied to coalfields which do not offer better natural conditions of production than the British, and they are much further from the sea, so that they are handicapped in oversea markets. But they have the advantage in overland trade with the Centre and East of Europe.

But, important as they are, the heavy industries never quite held the first place in the British productive system. The lead among manufactures, from the beginning of the industrial revolution, had belonged to textiles, and particularly to cotton. The supremacy of the British cotton industry was undisputed in 1914. Outside these two big categories there were multitudes of other manufacturing industries, mostly dependent in a greater or less degree on export markets. The peculiarity of British manufacturing activity does not lie in any pre-eminence of quantity or quality over the corresponding industries in other countries, but rather in the fact that manufacturing forms a greater proportion of the total production than in any other country (with the possible exception of Belgium). The predominance of manufacturing has been assisted by historical and physical causes. The plentiful coal supply encouraged other industries besides iron, steel, and engineering. The climate of Lancashire favoured cotton spinning. Immunity from invasion during the Napoleonic Wars gave the country a

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long start in the industrial revolution. Special British aptitudes for manufacturing in various directions have helped.

But it is a mistake to trace the predominance of manufactures mainly to these causes. The real foundation of our economic system is not industry but *commerce*. Commerce depends on geography, and the same geographical circumstances that make a country a great commercial centre make it a great manufacturing centre. A commercial centre is essentially a place at which the merchant engaged in international trade may stop his goods and choose their further destination. Its selection for the purpose depends on its having good communication on the one hand with sources of supply, and on the other with a number of different markets. When materials stop there *en route*, the opportunity may be taken to apply a manufacturing process to them. Some manufactures need to be close to supplies of bulky materials, such as fuel, that are destroyed in the process of manufacture. Others are best carried on in close proximity to the ultimate consumer. But some are independent of any such considerations, and gain from being concentrated at a convenient centre of distribution.

The British Islands have long possessed great geographical advantages for these purposes. Their position in relation to the economic system of Europe might be equalled, but hardly surpassed, by some Continental centres. But in addition they had the advantages, military, political, and economic, of an island position. Partly from the needs and partly from the aptitudes of an island population sprang both a unique mercantile marine and supreme sea-power. Colonial expansion was the logical result. The sovereignty of colonies carries with it many economic advantages, among them that of regular communication with the oversea possessions. At a stage where economic needs by themselves would only lead to occasional communications, economic and political needs together might justify some-

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thing more systematic. Lines of sea communication once established, economic development on dry land accommodates itself to them. Even if in origin they were as much political as economic, they became an economic necessity, and are as unalterable as if they were tied to a double line of steel rails passing along cuttings, embankments and tunnels.

### II. A CREDITOR NATION

**B**RITISH manufacturing pre-eminence may have been transitory; British commercial pre-eminence, though not indestructible, is more solidly founded. Commercial pre-eminence carries with it various economic consequences.

In the first place finance follows commerce. It is not for nothing that the historic firms of the City of London describe themselves as "Merchant Bankers." Commercial wealth is *mobile*. It is the natural foundation for a banking system. Banking assets secured on goods in course of passage through a great market are more realisable than any others.

Commercial wealth is also a source of *profit*. Profit is the income made by a trader, one, that is, who either produces or buys in order to sell. It is something *additional* to interest on capital and remuneration for risk. It may be regarded as the remuneration of the trader's personal activities, but it is proportional not to his skill or his exertions, but to his *turnover*. It is the excess of one market price over another, or of a market price over costs which is determined by markets. The profit gained by producers arises in the places where they produce; it is spread out where there is room for the capital and labour used in production. The profit gained by retailers arises in the places where they find their customers. But the profit gained by the wholesale dealers or merchants can be *concentrated* at the places where they meet one another to carry on business.

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Such a concentration of mercantile profit has especially contributed to make the wealth of Great Britain and particularly of London. Profit is the most prolific source of investible savings. Profit-makers are rich men, and at the same time their incomes may be disproportionately large in comparison with their capital. The established rentier has no motive to save; he can spend all his income and still be sure of having just as much to spend in the future. The profit-maker's income is precarious. That is especially true of the merchant. He has every motive to save until he has himself become a rentier. But the merchants at a commercial centre who accumulate fortunes do not all retire on secure and highly capitalised incomes. It is open to them to expand into financiers. Financial markets require great concentration if they are to work freely. Individual transactions are very big, and the total daily transactions of the market must be big enough to absorb them. A financial centre can only come into existence at a commercial centre. Only there will be found the requisite volume of banking transactions, foreign exchange transactions, and insurance transactions. And only there will be found a stream of investible savings of such magnitude and constancy as to support an investment market.

All these things exist in London. They add a flow of financial profits to the flow of mercantile profits, from which the whole system originates.

From this great flow of mobile wealth two further consequences have followed. In the first place the steady accumulation of savings has made Great Britain a creditor country on a vast scale, the holder of oversea investments from which is received a growing aggregate of interest, dividends, rents, and profits.

Secondly, this income from foreign investments, along with mercantile and financial profits and commissions, derived from oversea business, and with the earnings of shipping, makes a great mass of "invisible exports."

The true significance of invisible exports is very apt to

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be overlooked. If a man in London is entitled to receive an income of £10,000 a year from a business in Brazil, it is, of course, easy to see that the £10,000 must appear in the form of goods (or securities), partly an increase of English imports, partly a reduction of English exports, as compared with what they would otherwise be. But the recipient spends his £10,000 as he pleases. He does not spend it all on importable commodities. A part of his needs must be met by services rendered to him on the spot, and he will pay whatever is necessary to induce people to do what he wants. Suppose that he spends £6,000 on importable products and £4,000 otherwise. Then somehow or other the balance of trade must provide for the other £4,000. *Other people* must consume imports to that amount. The people he pays will apply part of their resources to imported goods, and part to employing others who will do likewise.

Applied to the country as a whole, this means that, in so far as the recipients of incomes from abroad do not spend their resources on imported goods, the level of incomes of the rest of the community must be so raised as to enable *them* to buy imports to make up the deficiency. The nucleus of rich men attracts to itself a local population of producers, to be paid with the command over external resources represented by the invisible exports. The numbers and standard of living of this local population are related together. The more numerous they are, the lower is the level of incomes that will attract a given volume of imports. But it must not be supposed that their income is composed only of the imports; it includes also the things they produce *for one another*. Each chooses freely what proportion of his income shall be spent on imported goods, and the proportion for the whole might be quite small.

If invisible exports raise the standard of living, it is equally true that invisible imports depress it. A country which has to make external payments must restrict its imports; the level of incomes must not be so high as to enable people to buy more imports than the country as a whole can

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pay for. At the same time low wages (unless accompanied by inefficiency) will stimulate the country's exporting power. But it does not follow that the creditor nation is prospering entirely *at the expense* of the debtor nations. For the investment of capital in a country tends itself to improve the standard of living there. Indeed, as between new countries and old, the abundance of natural resources in the former, as soon as it is combined with adequate capital, usually produces a higher standard of living than in the latter. And even in the overcrowded East capital exploitation means a great improvement in the wretchedly low standard of living.

The creditor nation itself has its invisible imports. If the income derived from external investments is an invisible export, the capital sum represented by *new* external investments is an invisible import. The *export* of capital may be regarded as the *import* of securities or of capital rights. The favourable effect of the invisible exports may be partly offset or even more than offset by the invisible imports. In the case of Great Britain the export of capital, even at its maximum, just before the War, was not much more than half the invisible exports.

### III. THE WAR AND AFTER

**A**FTER this survey of the chief constituents of the British economic system, the next step is to examine in what respects the system has been affected by the War. The most direct consequence of the War was the actual diminution of material wealth. Instead of accumulating savings and investing them abroad, the country was drawing upon past savings. The extent to which this was done is surprisingly small. The cost of the War was met to a very great extent by the exertions, savings, and abstinences of the people. Progress in the accumulation of wealth and particularly of oversea investments was suspended,



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but the actual reduction in the pre-existing investments was only a modest fraction of the total. Some hundreds of millions of securities were sold. A little was destroyed by repudiation, bankruptcy, or monetary collapse. A heavy debt to the United States Government was incurred, but against it were claims against Dominions, allies, and enemies. If issues in the capital market were interrupted, still the accumulation of reserves by companies carrying on oversea enterprises went on. In reality the most serious loss to the British investor was probably the reduction in the purchasing power of those investments which were fixed in terms of gold or of sterling. There were arrears of capital expenditure at home—extensions, renewals, and even maintenance, to be made good, a shortage of materials, a tremendous destruction of shipping. But with the resumption of economic activity these were soon made good.

In what respects then have we failed to resume the progress which we regarded as normal before 1914?

The outstanding disaster is the continuance of unemployment. For six years the number of unemployed has never fallen below a million. Comparable pre-war statistics do not exist, but it is certain that this has been far worse than any trade depression for a hundred years. Secondly, the labour unrest, which was already being felt a few years before the outbreak of war, has been accentuated. Thirdly, the growth of wealth has apparently almost ceased. The standard of living does not noticeably improve. The volume of savings is much less than before the War (if account be taken of the reduced purchasing power of money).

For some time after the collapse of 1920 people were content to attribute our distresses to the economic prostration of Europe. Our customers, it was said, were too impoverished to buy. But this was never an adequate explanation. The prostration affected our competitors more than our customers. And in 1923, when the economic disorders in Europe came to a head with the occupation of

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the Ruhr, the result was an unlooked-for spell of comparative prosperity for the heavy industries in this country. Since 1924 the productivity of Europe has been approximately restored, and we have experienced no relief. The passing of the after-effects of the coal dispute leaves us still with a million unemployed.

To understand the position, it is above all necessary to *disentangle* the causes that are at work. In the first place we must separate those which arise at home from those which arise abroad. Among the former two particularly claim attention, credit policy and taxation. Credit policy includes currency policy; it is through credit policy that the value of the currency unit can be regulated. When the currency is depreciated, it is by a contraction of credit that its value can be raised, or, in other words, that the price level can be lowered. The process is a painful one. The fall of prices is forced on traders by a curtailment of the demand for goods. Under pre-war conditions it was well recognised that credit stringency would cause depression and unemployment. The cyclical trade depressions were invariably marked by a heavy fall of prices; *all* gold currencies were on those occasions being raised in value relatively to commodities.

Twice since the War this process has been applied to Great Britain. In 1920 a feverish inflation was interrupted both here and in America by a credit restriction. In less than two years the price level here had been reduced by half, and the number of unemployed had grown to two millions. Nevertheless the pound had not caught up the dollar, because the fall of prices in America had been little less than in Great Britain. In 1925, preparatory to the restoration of the gold standard, the Bank rate was put up to 5 per cent. A fall of prices, which has amounted to about one-sixth, was thereby initiated. This was moderate compared with the previous fall, but it started at a time when the revival from the effects of the collapse of 1921 was still incomplete. There were still a million unem-

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ployed. A 5 per cent. Bank rate is not high for a period of trade activity ; but for a time of depression it is very high indeed. Its prolonged application at a time of extensive unemployment is without precedent for a century. What calls for explanation is not the intensity but the mildness of the depression which has ensued.

Here we have a very potent cause of economic distress, and an essentially transitory one. Not only is it similar to the conditions which caused periodical unemployment before the War, but other countries in the same post-war world as ourselves have been repeatedly exposed to the same experience. They have found that unemployment accompanies a credit contraction and falling prices; and in several cases they have found that a credit expansion, with rising prices, provided a way of escape. Before 1925 our currency was independent of foreign currencies; there was no necessary relation between the fall of prices here and elsewhere. Since then the pound sterling has been linked with the majority of other currencies by the gold standard. When our prices fall, foreign prices must also fall. And in fact there has been a fairly general fall of prices wherever gold currencies are used.

Is not this an act of God, outside our control ? That is not so, because in virtue of our special position as a financial centre our Bank rate affects credit all over the world. Before the War the leading part in the credit cycle was always played by London, and the position has not been fundamentally changed. New York has become relatively more important, the centres on the European Continent less so ; London is where it was. Upon London rests the responsibility for the general fall of gold prices of the past two years.

The most conspicuous result of the fall of prices is the continuance of an appalling amount of unemployment. But there are other grave consequences. Every considerable change in the price level invalidates all wage settlements which do not allow for price variations. Even where there

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is a sliding scale or cost-of-living clause, the settlement may easily fail exactly to suit the circumstances. Disputes are as likely to occur when prices are rising as when they are falling; and the times at which they occur do not necessarily coincide with the periods of rising or falling prices in which they originate. But it is not a pure coincidence that each of the two great credit contractions which we have been through since the War has been marked by a calamitous coal-mining dispute. Experience before the War showed that the group of heavy industries, the iron, steel, engineering, and shipbuilding industries, were always especially susceptible to the trade cycle, and suffered greater fluctuations than other branches of manufacturing. The prosperity of coal-mining is closely bound up with that of the heavy industries, which consume so much of its product. The device of a sliding scale was resorted to to adapt wages to the wide variations in the disposable resources of the coal-mining industry. The pre-war sliding scale was not adapted to the exceptional conditions and the great price variations of the War and post-war period. Hence the breakdown, when depression produced its usual effects in the heavy industries.

There are other circumstances affecting both the heavy industries and coal-mining, to which we shall turn our attention in a moment. It is the cumulative effect of various adverse factors and of the intense trade depression that has brought about the events of the last few years. Excessive taxation is an evil recognised on all hands. Nevertheless there is much misapprehension as to the nature of the harm it does. The hampering effect of taxation on trade as recognised by economic theory is produced not by the heavy direct taxes which are the main ground of complaint, but by ill-chosen taxes on commodities and on transactions, such as those which were so successfully attacked and reformed between 1820 and 1845. Our present fiscal system could not be called perfect in this respect, but its shortcomings nowadays are of a minor

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order. The harm done by heavy *direct* taxes is not in the hampering of trade but in the diversion of resources which would otherwise be available for investment. The big incomes out of which the bulk of investible savings is found are depleted by income tax and super-tax. A great part of the money, it may be said, is paid away again in the form of interest on the debt to the same class of people from whom it has been taken. But there is a vital difference. The taxes fall on incomes of all classes, including those derived from profits, and the interest feeds one type of income only. There are, no doubt, improvident profit-makers, and there are rentiers who add to their capital. But it is nevertheless broadly true that by income tax and super-tax money is taken from those who save more and distributed to those who save less. It remains true, even though the individuals in the two classes are in many instances identical. The saving that prudence would require of the recipient of a given income depends on the proportion of the income composed of secure elements, such as rent and interest, as compared with the proportion composed of precarious elements, such as profits or professional earnings.

During the War financial sleight of hand created a giant growth of gilt-edged incomes, far exceeding anything of the kind that normal savings could have produced in the same period out of stable money. The burden of providing the resources to pay these incomes falls through taxation on the economic system of the country, and incidentally upon the fund of profits out of which savings mostly come.

It is estimated that the annual amount of wealth saved in this country now is £150,000,000 to £200,000,000 below the standard of 1913 (proper allowance being made for the change in the purchasing power of money). It would be a mistake to attribute the whole of that shrinkage to heavy direct taxation. Trade depression has done its share. In the past the volume of savings has always been sensitive to the state of trade. Clear evidence of that is

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to be seen in the fluctuations of the balance of trade. A great part of our invisible exports (shipping freights and mercantile and financial profits and commissions) would increase at a time of good trade, yet at such times our excess of imports did not increase but almost always diminished. This was clear evidence that our exports of capital increased. Since our investment of capital at home certainly did not decrease, that meant that the total of savings increased. That in fact is the explanation of the sensitiveness of the heavy industries to the state of trade; for money invested is to a great extent spent on the products of those industries.

Evidence of the existing shortage of savings is supplied both by the growth of the excess of imports far beyond the growth of the invisible exports, and by the acute depression of the heavy industries. A revival of trade (if and when credit conditions allow it to occur) will be a partial but not a complete remedy both for the depression of the heavy industries and for the decline in our exports of capital. A complete remedy would require a reduction of taxation. The prospect of a reduction of taxation is itself not independent of a trade revival. One of the incidents of the pre-war trade cycle was the visible response of the yield of taxation to the state of trade. This was partly due to prices being higher at a time of good trade, so that a given yield in terms of wealth meant a higher yield in terms of money. But in addition allowance must be made for increased production at a time of good trade, and for the increase of profits relative to the volume of production at a time of rising prices. In taking a long view, we cannot look forward to perpetually rising prices. But we can hope to escape from the paralysing burden of falling prices, from which trade has suffered first in 1920-2 and then in 1925-7; and we can hope for tolerably steady employment and production. Those conditions would mean a greatly increased taxable capacity, and consequently, for given burdens, diminished rates of taxation.



## Prospects

On the other side must be set the possibility of a further fall of prices. Three years ago it was not unreasonable to hope for something like a stabilisation of prices. American credit policy clearly had an objective differing little from this. The Genoa Resolutions had pledged the Central Banks of Europe to the same aim. If these hopes have been defeated once, they may be defeated again. The fall of prices of the *last two years* has increased the real burden of the debt by more than £1,000,000,000; it has more than undone all our efforts at debt reduction since we first made ends meet after the War. It is earnestly to be hoped that this calamitous process will not continue. It should be noted that American credit policy has not participated in the movement. The Federal Reserve Banks have adhered to low rediscount rates, and have not employed any of the methods of indirectly restricting credits. The fall in world prices has been brought about by the preponderant international power of the London Bank rate.

### IV. PROSPECTS

NOW that we have examined the consequences of post-war credit policy and taxation, we are confronted with the remarkable result that we seem to have accounted for *all* the economic distresses from which the country is suffering. Unemployment is serious, but does it not require explanation that after the credit contraction and fall of prices of the past two years, the number of unemployed has not increased? We have had the coal-mining dispute, but how have we escaped an all-round cut in wages, when prices have fallen by one-sixth? Our accumulation of wealth has been cut short, but is not a reduction of 25 or 30 per cent. in savings very moderate considering the burden of taxation and the severity of the trade depression? Nevertheless, it would not be legitimate to jump to the conclusion that the whole extent of the adverse factors has



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been revealed. That may be so as regards the causes of unemployment. Unemployment is quite a special kind of economic disease. It usually arises from a dislocation of the machinery for marketing products. It may be severe in a community which is in underlying conditions thoroughly prosperous; or it may be entirely absent from one which is in the extremities of distress.

But as regards wealth and standards of living we cannot easily measure either the extent of the deterioration or what proportion of it we have accounted for. We cannot simply take the conditions of 1913 as a standard, any more than in 1913 we could have taken the conditions of 1900. There ought to have been immense progress in the past thirteen years. In the United States there has been. If we have not progressed, that is, of course, partly due to the direct losses of the War. But there are other adverse causes at work, and it is these that we have to estimate in looking forward to the future.

In the first place there is foreign competition. Our coal export trade will be found to have suffered permanently from the increased use of oil fuel and of water-power. That does not necessarily mean that our exports will never reach the pre-war level of sixty to seventy millions of tons; the rate of progress that had prevailed for fifty years before the War would have brought them far above that level by now. The shrinkage may turn out, when revival comes, to be only relative. Manufacturing activity has been stimulated in some countries formerly large importers of British products. That is particularly the case with cotton manufactures in the East. Protective tariffs tend to rise higher. Some, it is true, are lower than before the War, but that is chiefly in countries where tariff rates have been unsettled by currency depreciation, and it is not likely to last. But all these forms of competition put together do not amount to anything very formidable. They are not more serious in the aggregate than what we had to face (and used to complain of) at almost any time between 1871 and 1914.

## Prospects

Another form of competition, which for a time excited great complaint, was the so-called "exchange dumping," the sale of goods at very low prices by exporters from countries in which cost of production had been temporarily reduced by a collapse of the currency. The actual volume of such competition was never very great; it was vexatious rather than serious. And in any case the conditions which produced it have almost passed away.

What of our commercial position? England grew rich as the *entrepôt* of a rich, populous and industrial Europe, and of new countries yielding an ever-growing supply of natural products in exchange for European manufactures. If Europe is less rich, this position will be so much less valuable. Europe is less rich, in that some of the great creditor nations have become debtor nations. But European *production* has not diminished. And the world outside Europe has grown richer. The tremendous export of capital from Europe in the pre-war period is bearing fruit in the increased productivity of the New World.

The English take substantially as great a part in the commercial affairs of the world as before, and perhaps in some respects even greater. Nevertheless, the greatest economic progress of all has been made by the United States, and here we have on the whole lost ground. The United States has become a commercially self-contained country, and English merchants have less concern in its external trade than formerly. That change is incidental to the gigantic growth of American wealth. The same growth has brought with it a great development of American finance. The Americans have become exporters of capital, the greatest exporters of capital in the world for the time being. Not only the English but the European supplies of capital have dried up. Heavy direct taxation has worked its way on the Continent as well as in Great Britain. Trade depression has diminished accumulation in some countries, and in others currency inflation has swept away working capital. On the other hand, if New York now rivals London as an

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international investing centre, London remains unchallenged as an international banking centre, and as the discount market, the foreign exchange market and the insurance market of the world.

It may well be that even when British external investment has fully revived, it will still be surpassed by that of the United States. But that is not itself a ground for pessimism. It is a strange freak of national sentiment that takes the form of what may be called statistical pride. People seize upon the numerical measure of one of their country's activities, and compare it jealously with those of other countries. Those with the biggest numbers, or the biggest numbers per head, have won. "Supremacy" in some economic field often means no more than this. American "supremacy" in the world's investment markets is not a thing to be hated or feared. If Europe can supply the same capital resources for the development of the world as before the War, the resources received from the United States will hasten that development and raise the standard of living everywhere.

It would be a mistake indeed to deride statistical rivalry as entirely without substance. Wealth is power. When German steel production far outstripped British, people shook their heads because that meant that German resources for war were increasing. When the War came, the value of economic resources, whether in steel production, in shipping, in external investments or in many other forms, was amply illustrated. Fortunately, the Americans and ourselves have once and for all thrown aside this form of rivalry.

From this point we are led back to ask again: What do we hope for from our economic progress? Possible answers are innumerable, but through all of them will be found the rival claims of two ideals, power and welfare. If we seek power, no achievement will satisfy us so long as we are surpassed by another country. If we seek welfare, we are concerned to see not that we do not fall short of a rival, but that we do not fall short of our opportunities. We

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may be quite content to see the United States, with two-and-a-half times the population and thirty times the territory of Great Britain, enjoying a higher standard of living, provided we are doing all we can with our own resources. But we should not think in terms only of area and material products. Tangible wealth is always limited. Economic opportunities based on mercantile and financial profits know no limits.

## INDIA : POLITICAL AND CONSTITUTIONAL

### I. PARTIES AND POLITICS DURING THE DELHI SESSION

THE last Indian article was despatched shortly after the complete returns of the elections for the third reformed Legislative Assembly and provincial councils had been received. This one is written a few days after the conclusion of the first session of all these newly elected bodies. The last article gave reasons for believing that although the Swarajists, or, as they now prefer to call themselves, the Congress party, found themselves, as a result of the elections, the strongest single party in the Indian Legislative Assembly and in two or three of the provincial legislative councils, nevertheless, these results did not represent the real importance of the Swaraj party or the extent of its hold upon public opinion in India.\* It may be claimed that the experience of the past legislative session, both in Delhi and in the provinces, has substantiated the above remarks. In the two provinces—namely, the Central Provinces and Bengal, in which dyarchy had been temporarily overthrown by the Swarajists, the system has been triumphantly revived and has survived fresh attacks. In every other province, including even Madras, where Swarajists hold roughly half the seats in the provincial legislative council, dyarchy has continued to function and there is no reason to suppose that its opponents will be

\* THE ROUND TABLE, No. 66, March 1927, pp. 317-318.

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able to cause its suspension. In fact, it seems as though the provincial councils, like the Legislative Assembly, have definitely revolted against the Swarajist methods of obstruction and wrecking, and there is every reason to believe that this revolt meets with the approval of the most important part of such public opinion as exists in this country on the subject of politics.

These conclusions, formed after a survey of the events of the first session of the third reformed provincial councils, are reinforced by the experience of the recently concluded session of the Indian Legislative Assembly. The Swarajist or Congress party, as we will henceforth call them, announced that the last elections had left them with from 45 to 50 seats in the Assembly. This estimate was too generous, for at no division during the session, not even at the famous division on the Rupee Stabilisation Bill, which was the largest ever recorded in the annals of the reformed Assembly, were they able to take 40 votes into the lobby. Undoubtedly, therefore, the party has suffered a loss of strength since the 1923 elections. Moreover, throughout the whole session the Congress party betrayed a lack of discipline and an uncertainty of behaviour, which contrasted very strongly with the solid and well-organised party which sat behind Pandit Motilal Nehru from January 1924 onwards. It is true that the members of the party voted against Government on every division which took place, but there were occasions on which members absented themselves from their seats when voting time drew near, and it is well known that the party was thoroughly divided on the subject of the Rupee Stabilisation Bill, and was only induced to vote solidly against Government by the application of disciplinary measures such as could hardly have been applied in any other legislative body in the world. Observers in close touch with the party have said that probably a majority of its members would have voted with the Government on this occasion had they been given a free vote. Thus the Swaraj party is not what it was two or three years

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ago, either in solidarity or in opinion, and it remains to be seen whether the present show of unity will be maintained or whether the party will suffer a split similar to that which took place eighteen months ago when the Responsive Co-operators broke away from the parent body. It is well known that throughout the past session a struggle has been going on inside the party to decide whether its leadership should remain with Pandit Motilal Nehru or whether it should pass to Mr. Srinivasa Iyengar, this year's president of the Indian National Congress. As far as one who is not in the party can judge, the decision seems to have been given in favour of Mr. Srinivasa Iyengar, but whether he will be openly acknowledged as the party leader is at present uncertain. This question is complicated by the existence of the Responsive Co-operators, who are quite likely to make further efforts to win the Indian National Congress over to their point of view. If they succeed in this, Mr Srinivasa Iyengar is likely to be left with a small following who think with him, whilst the majority of the existing Congress party coalesce with the Responsive Co-operators to form a new party. Yet another complication exists in the presence of the Hindu Mahasabha group and the so-called Independent Congress group, which, together with the Responsive Co-operators, form the National party under the leadership of Pandit Madan Mohan Malaviya and Lala Lajpat Rai. These two groups definitely represent the Hindu point of view and favour the Responsive Co-operators' views as against those of the Congress party. Unfortunately this despatch must leave India before the annual meeting of the All India Hindu Mahasabha, which will take place at the end of this month, for it is likely that the said meeting will throw some light on the attitude which these two Hindu groups mean to take up in regard to general politics.

It is not within the scope of this article to give a detailed account of the happenings of the past session of the Legislative Assembly. It will be useful, however, for readers



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to know the present political groupings. The Legislative Assembly chamber is in the shape of a horseshoe. On the President's left sits the Congress party, which may be taken to number from 37 to 40 and is still the strongest party in the House. Next to the Congress party sit the Nationalists, about 20 strong, composed, as has been pointed out, of Responsive Co-operators, Hindu Mahasabhaitees, independent congressmen and one or two odd members. Next to the Nationalists are the benches allotted to the Independent party, but at present there may be said to be no Independent party. It is true that a few Mahomedans and two Hindus sit behind Mr. Jinnah, the leader of the old Independent party, but these men can hardly be said to form a party, since there is no party discipline, and on certain important questions all but three or four of the members, who occupy these benches, have refused to follow Mr. Jinnah into the lobby. Continuing round the horseshoe, we come to the benches occupied by the European group, 11 strong, and then to the majority of Mahomedan members, who have not formed any party. The horseshoe is completed by the benches occupied by nominated non-officials and the official bloc. The total strength of the Legislative Assembly is 145, but it is only on rare occasions that as many as 120 are present. The Congress and Nationalist parties, which number over 60, and may be counted upon to go solidly against the Government, thus form a very serious Opposition. The officials number 26, and the nominated non-officials 14, but not all of the latter can be counted on to vote for the Government on any particular issue. The same, of course, can be said of the unorganised Mahomedan members and the European group. So it will be seen that the position of the Government is normally a precarious one. Instead of being able to count on the constant support of an organised group of its own followers, the Indian Government has to find its majority as best it can against the automatic obstruction of the Congress party and, it is to

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be feared, of the newly formed Nationalist party also. In spite of this handicap, however, the Government carried everything of importance during the past session, including the Steel Protection Bill, the Rupee Stabilisation Bill, the Finance Bill, a motion to raise the pay of judges with Indian experience sitting on the Judicial Committee of the Privy Council, and finally, the restoration of the salt tax to its original figure of Re. 1-4 per maund, after it had been reduced by the Assembly to 10 annas per maund. The salt tax, of course, was included in the Finance Bill, and when the latter went to the Council of State, the clause relating to the salt tax was amended so as to make the tax stand at its original figure of Re. 1-4 per maund. When the Finance Bill returned to the Assembly from the Council of State, the latter's amendment was accepted by a substantial majority. Had the tax not been restored, over three crores of revenue would have been lost, and the further remission of provincial contributions would have become impossible. The importance of this decision will be explained later. Even a motion for the adjournment of the House to discuss the refusal of the Bengal Government to allow an elected member, who is at present confined under the Bengal Ordinance of 1924, to come to Delhi to take his seat, was only passed by a majority of about a dozen. But although, from this point of view, the session was a satisfactory one for the Government, from another point of view it was far from satisfactory. For the two organised parties in the Assembly showed no intention, as far as could be seen, of treating Government proposals on their merits. Both the Congress party and the Nationalist party voted automatically against the Government on every division, and it is very significant that the motion to reject the Finance Bill altogether originated with a Congress party back-bencher, who undoubtedly, in this matter, acted against his leaders' wishes, and was supported by the Nationalist party almost *en bloc*. In the division a large number of the Congress party remained neutral and

## The Indian Scene

most of the votes for the entire rejection of the Finance Bill were given by the Nationalist party. If this state of affairs continues during succeeding sessions, it is difficult to see what proofs of a desire to co-operate in the working of the Reforms can be offered to the Statutory Commission when it comes to India.

### II. THE INDIAN SCENE

SO much for the outstanding features of the political situation. What is the general state of India at the present time? In the provinces, as we have seen, dyarchy is functioning everywhere and no special grievance seems to be agitating the mind of the Indian public or the columns of the Indian press. Except for the Bombay cotton industry there is no particular depression in any industrial circles. The Bombay cotton industry is at the present moment the subject of a special enquiry by the Indian Tariff Board, whose report is expected shortly. It is rumoured that the protective duties on imports of cotton goods will be raised, but whether or not there is any ground for this rumour it is impossible to say. Unquestionably the organisation, the financing, and the technical equipment of the cotton industry in Bombay need to be made the subject of a searching enquiry with a view to their being thoroughly overhauled. A strike on the Bengal Nagpur Railway broke out a few weeks ago, apparently without any adequate cause, and quickly subsided after a few minor incidents of sabotage at several places. Otherwise there have been no notable disturbances in Indian labour circles since the last article,\* and fortunately the stabilisation of the rupee at 1s. 6d. gold has prevented a reduction of the real wages of labour in this country which would undoubtedly have led to a period of prolonged and ruinous disputes between employers and

\* THE ROUND TABLE, No. 66, March 1927, p. 326.

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employed. Again, the passage of the Steel Industry Protection Bill by the Legislative Assembly in February ought to stabilise the position, as far as this important industry is concerned, for the next seven years. The Bill abolished the system of bounties and replaced it by an adequate protective tariff, discriminating at the same time between standard and non-standard steel. The latter, which is imported practically entirely from the continent of Europe, has a higher *ad valorem* duty imposed upon it as compared with the duties imposed on standard steel, which mostly comes from Great Britain. The last monsoon was a good one and there is every reason to anticipate that when the final figures for the past financial year are available, it will be found that the year has been a prosperous one for Indian exporting interests.

Nevertheless, a shadow is over the face of India—the old shadow of Hindu-Mahomedan trouble, which unfortunately is again spreading and deepening. Since the last article there have been many minor clashes between partisans of the rival communities, and some more serious incidents. On February 17 a petty quarrel between a Mahomedan and a Hindu shopkeeper in the town of Bahadur Ganj, in the Ghazipur district of the United Provinces, developed into a riot in which one man was killed, one seriously injured, and 15 others were less seriously hurt. Three days later, in Bombay city, the passage of a Sikh religious procession with music before a mosque led to an affray in which one man was killed and a number of others were injured. Again, on March 2, occurred the incident in Kulkati in the Barisal district of Bengal, which has attained such widespread notoriety owing to its terrible results. A Hindu religious procession was passing with music before the Kulkati mosque when a number of Mahomedans attempted to prevent its progress. In order to avoid what would obviously have been one of the worst riots of recent years, the District Magistrate ordered a party of the Eastern Frontier Rifles to fire on the Mahomedans, with the result

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that 14 of the rioters were killed. Again, a few days ago in the Larkhana district in Sind, prolonged rioting took place between the two communities, as a result of which 58 Hindus and 11 Mahomedans were admitted to hospital, and one Hindu who was seriously injured died. At the moment of writing the news comes over the wires of an affray in Aligarh in the United Provinces, on April 11, in which a large number of persons were more or less badly injured. From many other places there is news of communal tension and impending trouble, and it is to be feared that the forthcoming hot weather with its important religious festivals for the two communities will be a time of considerable anxiety for the authorities. How long this state of affairs can last without resulting in widespread anarchy it is impossible to say, but only the heroic efforts of the District Police and Magistrates have for a long time stood between many important places and such disasters as the Calcutta riots of last April and the Kohat riots of 1924. Truly, the ill-conceived non-co-operation movement with its ruinous legacy of defiance and contempt for law and order has much to answer for. If those who led that movement had devoted their influence and their energies to lawful political work in the central and provincial legislatures, which stood open to them, and had tried to use these bodies to work for the common benefit of the whole people of India, this would have been a more peaceful and a happier country to-day, and the prospects of political advance would have been far brighter than they now are. To give only one example of the way in which Hindu-Mahomedan antagonism obstructs political action the following might be quoted. It is well known that the Congress party and the Nationalists intended last session to raise what is known as the "National Demand," *i.e.*, practically a demand for immediate and complete responsible self-government for India. A Mahomedan member, however, at once tabled an amendment relating to the protection of the rights of minorities. This would

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undoubtedly have brought on an embittered communal debate and in the end the "National Demand" was not moved.

On April 1 the report of the Committee which assembled at the end of 1925 under the chairmanship of General Skeen, to consider the question of Indianising the commissioned ranks of the Indian army and the possibility of establishing an Indian Sandhurst was published. Its most important recommendations related to the admission of Indians to 50 per cent. of the commissioned ranks of the Indian army by 1952, the throwing open to Indian officers of all branches of the army, and the establishment of a Sandhurst for India by 1933. In view of the past history of the problems dealt with in this report, it must be admitted that these are somewhat revolutionary proposals. Certainly, they represent a generous and determined effort to satisfy legitimate Indian demands in regard to the military services. On the whole, the Indian press has recognised this, and its comments have for the most part been reasonable and just. Anglo-Indian newspapers also recognise the value of the report as a solution of a long-vexed question, but they also point out certain difficulties which will undoubtedly have to be met and overcome. The chief of these relates to the recruitment of the 50 per cent. of British officers. It is no secret that the Indian Government is finding it very hard even now to obtain the necessary number of British officers for the Indian army, and it is not easy to see how its task will be lightened by the proposals of the Skeen Committee. British official, and particularly British military, opinion in India accepts them with perfect loyalty and goodwill, but soldiers' doubts with regard to their practicability are most serious on this question of the recruitment of British officers, and the British Government and the War Office will do well to pay special attention to it. In his speech in the House of Lords on March 30 Lord Birkenhead stated that he had considered whether it would not be



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better to withhold the report from the public until the Government of India and His Majesty's Government had had time to consider it, but that, in view of the long delay which would have been involved, it had been decided that it should be published forthwith. This decision was a sound one, because the report had been long and eagerly expected in India and undue delay would undoubtedly have given rise to avoidable suspicions and fears.

It is unnecessary to deal at any length with the other parts of Lord Birkenhead's speech. Perhaps it contained nothing that was particularly new on the Indian situation simply because at this time of the day there is nothing new that can be said. But it repeated things which cannot be too often repeated, and it dealt in an authoritative and masterly fashion with the main questions at issue between Great Britain and India. As Lord Birkenhead stated on July 7, 1925, he is not the slave of dates where the Statutory Commission which is to enquire into the progress of the Reforms is concerned. Therefore, his latest speech practically leaves India herself to fix the date for the commission. All that he asks is that she shall be ready for it, that she shall compose her communal differences and give evidence of the possession of a will to use the opportunities for political progress which have been, and will be, granted to her to the fullest advantage. Lord Birkenhead's declaration is unquestionably sympathetic to Indian aspirations and considerate for Indian self-respect. That it should have given rise to harsh criticism in certain quarters in this country is only another proof that some people are determined to see nothing good in British statesmanship where India is affected. A year ago Lord Birkenhead's omission to fix a date in advance of 1929 for the commission would have caused keen disappointment in political circles here, but to-day no such disappointment has been caused, for the plain truth is that India does not at present want the commission because she is not ready for it. It is impossible to say that she could profitably receive any



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important increase in her powers of self-government when almost every day affords proof of the deep and bitter estrangement of her two largest communities.

This section will, however, close on a more cheerful note. Mention must be made of the fortunate settlement recently reached between the Government of India and the Government of the Union of South Africa. The agreement is the fruit of prolonged negotiations during which extraordinary self-restraint has been shown by the people of India, and determination and wise statesmanship by her Government. Of course the agreement is very far indeed from satisfying Indian demands, but in the dropping of the Areas Reservation Bill and in the provisions for the better housing and education of Indian settlers in South Africa, tangible advantages have been gained. Naturally the denial of the franchise and certain other civic rights to Indians is a cause of continued resentment and disappointment to the people of this country, but having gained so much there is no reason why more should not be gained bit by bit in the future. It is not too much to say that the feeling which now exists towards South Africa is better than it has been for many years past. It is greatly to be hoped that this feeling will be reciprocated by the people of the Union, and that from it will ultimately spring a settlement of the points at issue between India and South Africa, which will satisfy every reasonable person in both countries.

### III. THE NEXT STEP IN INDIA

THE year 1929, when the Statutory Commission must be sent to India to review the political progress made under the Reforms, is drawing inexorably nearer, and many people, both in England and in India, are giving anxious thought to the question : " What is to be the next move ? " Has anybody got a satisfactory reply to this question ? Let us leave aside all demands for immediate

## The Next Step in India

and complete responsible self-government for India. It is doubtful whether any responsible Indian public man would seriously claim that this could be granted at present, or indeed within any specific span of years. A national spirit, which will grow in strength, has come to birth in India; and it is to be hoped that it will prove one of the strongest of the forces which are going in the end to make her into a united nation. But the time is not yet, and the best service that all who love her can do is to consider soberly, and with the aid of such knowledge of her conditions as they can acquire, what the next practical step ought to be. A few years ago the Indian political scene was one of the utmost confusion. It seemed impossible to introduce any order or coherence. But now there is a change. The horizon is still far from clear, and those of us who welcomed the inauguration of the Reformed system of government in 1921, one of the greatest political experiments in history, little thought that six years later we should still be asking the political leaders of India to give what is needed to make the new constitution a success—namely, wholehearted co-operation with the Government of India and Parliament, a generous trust in the good faith of the British people and moral courage in the face of popular clamour and unfair newspaper attacks. Nevertheless, though not in the measure that we hoped, there is co-operation; in certain quarters faith in the British Government and people has never wavered, and on occasion courage and political sagacity have been forthcoming. At any rate, to-day, after six years, we know that India wants the Reforms and wants the British connection. For the fiercest attacks which could possibly be made have been made on the new constitution and failed. After a period of deep anxiety and bitter disappointment it is functioning everywhere, and is stronger and more firmly rooted for the trials which it has undergone. Non-co-operation is a thing of the past, the Swaraj party has suffered losses, circumstances

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and public opinion have forced it radically to moderate its programme and its tactics, and signs of division are once more apparent inside its ranks. This much, then, we know. India accepts the new model of government.

But is this model to be an exact copy of the government of England, with its vast unwritten basis of convention, the result of the interplay of circumstance and the English temperament for centuries? Obviously not. Then what form is the government of India to take? This is a question which can only be answered by the people of India themselves. All that can be said here is that there must be no freak solution, no violent change either forward or backward, no wholesale alteration in electorates or anything else which does not spring naturally out of something that already exists. Perhaps the greatest merit of the Government of India Act of 1919 is that it provides scope and opportunity for experiment. Its fundamental purpose was to make it possible for India to fashion for herself, by the process of trial and error, a constitution which will suit her own peculiar circumstances, meet her people's needs and be acceptable to them. If this purpose is to be fulfilled, clearly the representatives of the Indian people must try the framework of government which has been provided, and see where it needs alteration. If practical reforms had been demanded by solid well-organised parties representing specific interests in this country, and pressed for with all the means that the existing constitution provides, it is unreasonable to believe that such demands either would, or could, have been resisted by the Government. The Government of India Act of 1919 itself provides that the Secretary of State may divest himself of some of his powers whenever it appears necessary or expedient that he should do so, in order to give effect to the great purpose of that Act. There is room for political conventions suitable to Indian conditions to develop, and such a development was intended by Parliament and by the Joint Select Committee. The Act of 1919 is, in fact,

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raw material for a constitution which has to be worked up and shaped.

The present moment is a favourable one for the beginning of that process. It is the general desire in political circles in India to see what can be made of the existing constitution, and this is also the desire of the British people and Parliament. For the first time since 1921 dyarchy is going to have its chance. It is quite clear to those who have studied its history that its main enemy has not been its own peculiar character, but the financial stringency from which every province has suffered. One of the main causes of this financial stringency, which has naturally seriously hampered Ministers in their efforts to develop the work of their departments, is the necessity, under which the provinces labour, of making large annual contributions to the central Government. During the past two years a start has been made in the direction of abolishing these contributions, and in his last budget speech on February 20 Sir Basil Blackett announced the remission of the whole of the provincial contributions for the year 1927-28. By far the greater part of this remission was permanent, but a portion of it was only for that year. If, however, the present financial year is a successful one, there is good reason for hoping that the next budget speech will see the permanent abolition of provincial contributions. This would mean an immense relief for the provinces, and there is little reason to doubt that new provincial Ministers will have enough money at their disposal to carry out schemes of enormous and lasting benefit to their own provinces. If it is backed by sufficient financial resources, dyarchy should in future function in a very different atmosphere. Political life in the provinces will be stimulated and a healthy development may be looked for there. It is greatly to be desired that one of the directions taken by such development should be the formation of real parties—parties that are held together by a practical programme of common benefit to all classes and communi-

## India : Political and Constitutional

ties in the provinces. But the question now arises : In view of the present state of communal relations, are such parties possible ? The fate of the old Independent party which split on the rock of communal differences does not seem to hold out much hope. Then why not form frankly communal parties ? It may be that Indian politics will have to pass through such a stage. If so, it need not be a ruinous or even a dangerous one for India, provided that the best men of both communities stand for election and enter the legislative bodies. It would be an immense gain to India if communal quarrels could be transferred from the streets and lanes of our cities to the floor of the Legislative Assembly and the provincial councils, where they could be discussed calmly and constitutionally by men whose only desire was to bring into being a set of conditions which would make communal quarrels unnecessary and impossible. Pacts concluded by well-led, well-organised, and thoroughly representative communal parties in the legislatures would have far more validity and authority than agreements like the old Lucknow and Bengal pacts, which have never functioned and never can function. The way would then be clear for the different parties to consider programmes and action of common benefit to both communities. Little by little, economic and other interests would cut across communal interests, and in the end real Indian parties would be evolved out of the communal parties. Such a development would, of course, require goodwill, sound political sense, and even generosity on both sides. Above all, it is essential that the very best men of both communities should come into the legislatures. The closing of the breach between her two great historic communities is the greatest service that they could render to India.

The above remarks may be somewhat disjointed, but they, at any rate, provide a starting-point for thought and discussion on the subject of the next step in Indian politics. Startling changes and new solutions are undesir-

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able and unnecessary. The materials for an Indian constitution lie ready to hand. Let us, therefore, begin to work on them. Let our best men—Hindus, Mahomedans, Europeans and others—enter the legislatures with the determination to work together as they have never worked before. The prize to be gained is worth the effort, but it must be repeated again and again that it is work which calls for the best men that India can produce, men who can bring to their task the two great forces of sincerity and courage. After all, the old days of purely executive government in this country are gone for ever, and with them should go the old uncompromising hostility to everything which appertains to the Government of India. That government is now a national government, and it is for the people of India themselves to make it their own government in every sense of the word. If only old obsessions, obsolete grievances, and out-worn modes of opposition can be forgotten, the problem of the next step in Indian political development will lose many of its difficulties—and dangers.

India. April 14, 1927.

## GREAT BRITAIN

### I. BUDGETING WITHOUT TEARS

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THE budget is, more than usually, a kind of graph of current history. It is also a forecast, whether true or false remains to be seen. The commotions of 1926 and their immediate consequences have been reduced to figures. We know with some accuracy a large part of what the nation has lost by them. Everyone can make his own guess as to what, if anything, it has gained out of them. Mr. Churchill has elected to make a hopeful guess and we trust he may be right. If the storms have brought us into waters unlikely to be troubled for some time ahead, coming budgets will nearly make themselves.

We turn to the figures and to a display of fiscal manipulation adroit and daring enough to have extracted admiration from the most reluctant. The accounts for the year 1926-1927 showed a result that was lamentable, if judged as a lapse from a more or less orderly series of financial years, and almost brilliant, if judged by the events they recorded. A year ago there was a deficit of over fourteen millions. The coal subsidy accounted for all of it and more. On March 31, 1927, the deficit, after a general strike and eight months of idleness in a basic industry normally employing over a million men, was over thirty-six millions. The coal subsidy only entered into this figure to the extent of four millions—a last instalment. But coal, or the lack of it, accounted indirectly for the rest. That is a loss of fifty millions to date, and there is more to come. The



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total tax revenue was twenty-seven millions down. Dearer money and the encashment of National Savings Certificates explained an increase in the National Debt charges of fourteen-and-a-half millions. Coal was the cause, or the main cause, of all these misfortunes. At the same time the word deficit cloaks some compensating virtues. In fact there has been no deficit. There has been a slackening in the rate of debt repayment. The statutory sinking fund of fifty millions yearly was enlarged to sixty millions by Mr. Churchill a year ago. The "deficit" is the extent of the failure to maintain that figure—a failure not to be minimised but to be judged in its true proportions. These two years do not, unfortunately, exhaust the claims of coal. According to the Treasury estimate, profits fell short of the expected total in 1926 by £150,000,000, and the whole of the loss will not be felt in one year.

In compiling a new budget Mr. Churchill had a problem as disagreeable as ever confronted a Chancellor of the Exchequer. The existing taxes were estimated to produce in the coming year £796,850,000—a substantial decline whether from the estimated or actual receipts of the previous year. Leaving out the sinking fund, the expenditure to be met was estimated at £768,390,000—a substantial increase on the estimated and even on the actual expenditure of the year before. Politically it was hardly thinkable that Mr. Churchill would confess failure by restoring direct taxation which the Government had succeeded in remitting and claimed credit for remitting. A disappointed public would have been all the readier to make the Government responsible for increasing its liabilities and for the upward turn in expenditure which happens to have coincided with Conservative administration. Besides, the direct tax-payer already supplied an overwhelming proportion of the tax revenue and was entitled to further alleviations, if anything. But no one quite knew how the Chancellor of the Exchequer was to make good a prospective deficit which, taking in the statu-

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tory sinking fund of £50,000,000, amounted to over twenty-one millions, unless he summoned the tax-payer to fresh toils or raided the sinking fund itself.

Batteries were trained on Mr. Churchill in expectation of either event, but, with the budget speech, the target disappeared. The audacity and the ingenuity of Mr. Churchill's contrivance have muffled criticism, for the current year at all events. He has covered his deficit, he has maintained the sinking fund, and not merely maintained it but increased it by fifteen millions. He has found additional revenue for the purpose without asking more from the tax-payer than a relatively trifling addition of six millions to indirect taxation. Over thirty-one millions have been swept together from other sources. He has played two cards from a suit that he employed the year before. Twelve millions represent the reserve of the Road Fund, and five millions a reduction, by another month, of the credit which the Treasury allows the brewers in the collection of excise duties. The Landlord's Property Tax, hitherto payable in two instalments, is to be paid in one, and an additional instalment is thereby brought into the accounts for the year. The anticipation of this tax-payment brings in another fourteen millions. The loss of interest on this transaction may be described as an addition, though a small one, to the liabilities of one class of direct tax-payer.

These devices, as their author has warned the country, cannot be repeated. The floor is now as clean as a Dutch painting and there will be no more sweepings. The test of the present budget is therefore its successor. It is for this reason mainly that serious criticism is suspended. The justification for postponing an evil day will be complete if and when postponement turns out to be avoidance. This is the most interesting aspect of Mr. Churchill's policy. To have increased taxation this year would undoubtedly have had a depressing effect. For reasons of party and for reasons of State the Government has preferred to stake

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the success of its financial policy upon an anticipation of expanding trade and improving revenue, or, as a hostile critic might put it, it has left the future to look after itself. There are some doubts about the present year. The final balance of estimates is as follows :—

Revenue .. .. .	£834,830,000
Expenditure .. .. .	£833,390,000
Surplus .. .. .	£1,440,000

No doubt the Chancellor of the Exchequer has some "hidden reserves" in hand. Certainly fresh efforts will be made to effect economies. The "automatic increase" of certain expenditure authorised by recent Parliaments will be coming to an end. But there is little enough left to meet supplementary estimates such as might be expected in a normal year, and the course of events in China is abnormal already. Mr. Churchill's Labour predecessor, Mr. Snowden, prophesies another deficit. Even granting that the present year satisfies expectations, what matters is the outlook at the end of it. Will there still be a gap larger than the regular revenue can span? The answer depends partly on successful economies. National expenditure was falling from the end of the war up to 1924 and has been rising since. Mr. Churchill has heralded a new economy campaign by announcing the abolition of three Ministries—Mines, Overseas Trade, and Transport. The Opposition points out that the intended saving will be largely illusory, since the functions of these departments cannot be abolished and must be transferred to other departments, and that the three selected for extinction are those which have the most important part to play in economy of the best, the constructive, kind. The answer, again, depends on smooth work by our diplomacy abroad and especially in China. But the answer is certain now unless we are entering upon a period not only of peace but of progress in industrial relations. This brings us to the Trade Unions Bill.

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### II. TRADE UNIONS AND THE STATE

THE Trade Unions Bill quite eclipsed the budget in interest among the proceedings of the present session. Of the effect upon the constituencies it is too early to judge. The same applies to industrial relations, though in an appeal made to the Prime Minister by the National Industrial Alliance, an association formed to secure friendly relations between employers and workmen, against the Bill, the signatories stated that its introduction had already developed antagonism between employers and employed. But no Parliamentary discussion for a long time has been followed with such attention as the debates which filled the first half of May. With its presentation and publication, Labour, which had announced its intention beforehand of opposing the Bill to the uttermost, whatever its terms—a forecast of the Government's proposals was given by the Chancellor of the Exchequer at Manchester on February 4 last—seized upon it at once tooth and claw. As our readers will remember,\* there were people besides Labour against the introduction of legislation, Conservatives as well as Liberals, and Lord Grey's letter of April 11 to *The Times* expressed what they thought. Most of them were not opposed, in principle, to the amendment or clarification of the trade union laws, but they believed that it was a mistake to deal at the same time with the regulation of trade union functions and the general strike, and that the introduction of such legislation would have a bad effect on the prospects of industrial peace at a time when the atmosphere was beginning to show signs of improvement. The advocates of legislation contended that if the law were wrong and permitted general strikes—there was a difference of opinion as to their legality—it should be put right forthwith, and any obscurity ought

\* THE ROUND TABLE, No. 66, March 1927, pp. 334-6.

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in any case to be made clear even if risk were involved. *Fiat justitia, ruat cælum.* They did not, however, consider that there was any risk that mattered.

Then came the Bill. The Government's intentions were explained to the House of Commons by Sir Douglas Hogg, the Attorney-General. In moving its second reading, he declared them to be founded on four propositions:—

1. That a general strike is illegal, and no man shall be penalised for refusing to take part in it ;
2. That intimidation is illegal, and no man shall be compelled by threats to abstain from work against his will ;
3. That no man shall be compelled to subscribe to the funds of any political party unless he so desires ;
4. That any person entering the established civil service must give his undivided allegiance to the State.

The King's Speech had foreshadowed legislation to deal with trade unions. The appearance of concrete proposals, however, introduced a new situation. It is one thing to object to something of which you approve in principle, because you look upon it as untimely, and another to vote against it when it is actually before Parliament in the form of a Bill. Labour remained as uncompromising as ever, and the Liberal opposition continued. But the ranks of the Conservatives closed up, and when the second reading came to the vote, though one supporter of the Bill warned his party against making it the starting point for a "general swing to the Right," only one individual voted against his party (there were twenty-two absent). Twenty Liberals, including Mr. Lloyd George, voted with Labour for the rejection of the Bill, five were paired against it, seven voted with the Government, and seven more, including Sir John Simon, were absent unpaired. Sir John Simon gave his blessing to the objects of the Bill, though he considered that it needed amendment. Two independent members, Dr. Graham Little, and Mr. George Spencer, the Nottinghamshire miners' leader,

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voted for it, and another, Mr. Austin Hopkinson, was absent unpaired.

In the Labour party there was deep resentment at a Bill being introduced at all, and there were bitter taunts against Mr. Baldwin. He had, they said, changed his mind since the spring of 1925, when he deprecated any attempt at legislation of the kind. They accused him of giving way to his die-hards, and contrasted his present attitude with his language at the time of the general strike. Sir John Simon, though he did not vote against the Government, thought that a simple one-clause Bill a year ago would have been far better. The Prime Minister's retort to these criticisms was that the general strike had taken place since his gesture in 1925, and legislation was postponed last year because of the tenseness of the atmosphere.

To pass, however, to the Bill itself; the objections to it were, as Sir John Simon pointed out, of three kinds:—

When the Government of the day (he said) introduces a contentious Bill and asks the support of the House for its principles on second reading, there are, I suppose, three kinds of grounds upon which the Government's application may be rejected. We have had in the course of the debate on the second reading of this Bill indications that all three grounds are taken. First, I suppose, it is possible, in reference to any Bill, to challenge the avowed objects of the Bill altogether, and to declare that the authors of the Bill when they describe what they aim at doing, are aiming at something which is wrong and bad. There are some Members of the House who will, I think, take up that attitude in regard to this Bill. There is a second and quite distinct line of attack and one which it is very material to mention in connection with this Bill, namely, the criticism that, whatever may be the avowed objects of the Bill, the method which it seeks to adopt and the language in which it seeks to express its objects are such as to make the Bill worthy of rejection at this stage. There is a third and it seems to me a perfectly legitimate ground, in a proper case, upon which a contentious Bill may sometimes be resisted, and it is this: that even if the avowed objects of the Bill and even the methods and language of the Bill are appropriate, none the less as a matter of high policy it is much better to leave things alone.

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In some cases all these grounds were taken by the same critic. Liberals, however, were generally unwilling to contest the underlying principles of the Bill in themselves, though they doubted more than ever the opportuneness of this kind of legislation, and in face of its terms questioned whether a great deal of its language was not oppressively indefinite. Some of them went further than negative criticism. Mr. Lloyd George, for instance, contended that what was wanted was not negative but constructive proposals in the direction of improving the machinery of conciliation.

To come back, however, to the Attorney-General's propositions. The existing trade union law is notoriously full of complicated questions. The lawyer enters its field with diffidence. Eminent counsel, learned in the law, dispute its interpretation in Parliament, in the columns of *The Times* and elsewhere. No drafting difficulty arose in connection with the third and fourth of the Government's propositions. They were strongly opposed, but they presented a plain issue. The first and second propositions were different. The clauses intended to give effect to them were at once attacked, not only on grounds of principle, but for their obscurity. The main purpose of existing statutes was to protect the right to strike. The object of the new measure was to limit it within the terms of these propositions. The first question raised was whether the clauses concerned with the general strike and intimidation were not so drawn as to go beyond the declared intention. There was a fear that they might even cripple the right to strike. To illustrate this contention we give the material part of these provisions as they originally stood.

*Illegal Strikes.*—It is hereby declared that any strike having any object besides the furtherance of a trade dispute within the trade or industry in which the strikers are engaged, is an illegal strike if it is a strike designed or calculated to coerce the Government, or to intimidate the community or any substantial portion of the



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community, and that it is illegal to commence, or continue, or to apply any sums in furtherance or support of any such illegal strike.

For the purposes of the foregoing provision, a trade dispute shall not be deemed to be within a trade or industry unless it is a dispute between employers and workmen, or between workmen and workmen, in that trade or industry, which is connected with the employment or non-employment or the terms of the employment, or with the conditions of labour, of persons in that trade or industry.

Then followed provisions prescribing penalties for participation in an illegal strike, withdrawing from such strikes the protection of the Trade Disputes Act and other enactments, and safeguarding as against their trade unions, workmen who refuse to take part in them.

The first thing noticed about this clause was that it said nothing about employers or lock-outs. The omission may not have been of practical importance, but it was bad psychology. Labour seized upon it at once as evidence of class-bias behind the Bill. Conservative members demanded, and the Government promised, that employers should be brought within the provision.

In the next place, the clause was accused, not only by Labour, but by friendly critics like Sir John Simon, of vagueness in its language and effect. Sir John Simon would have preferred some such clause as the following :—

Notwithstanding anything in the Trade Union Acts, it is declared that any combination, whether of employers or of persons employed, to coerce the Government or Parliament by means of simultaneous refusal to continue employment or work, is an unlawful conspiracy.

The illegal strike, as the Government defined it, must satisfy three conditions. It must (a) have an object besides the furtherance of a trade dispute ; (b) extend to trades or industries not primarily concerned ; (c) it must be "designed or calculated" to coerce the Government or to intimidate the community or a substantial portion of it ; while a trade dispute will not be a trade dispute so far as it involves unions not primarily concerned.

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Labour, with one eye on the conservative spirit of interpretation in the Courts, read this as a complete ban on the sympathetic strike, and a possible ban on the primary strike, if it "were likely"—the phrase "designed or calculated" might, it was contended, be held to mean no more than that—to "intimidate or coerce"—an expression not defined for the purposes of this clause—a "substantial portion of the community"—a phrase which the critics argued could also be interpreted within wide limits of variation. They had in mind more particularly a recurrence of the sympathetic strike, not perhaps on the wide scale of the general strike last year, but with the same ambiguity of purpose, political to some participators, industrial to others, and considerable enough in extent to "hold up"—as even a "primary" railway strike would—a substantial portion of the community. A workman who, in support of his side of the dispute, terminated his employment after due notice would, it was pointed out, find himself liable, on summary conviction for the act of striking, to a fine of ten pounds, or imprisonment for three months. Convicted on indictment, he might go to prison for two years. In such circumstances, little revolutionary in intent as they might be, he could not legally withdraw his labour. This position was indignantly described by Labour speakers as "statutory serfdom."

Next, to take the second proposition, the one intended to prevent intimidation, the Bill made it unlawful for one or more persons to picket "if they so attend in such numbers or otherwise in such manner as to be calculated to intimidate any person."

In this section, as it was introduced, "the expression 'to intimidate' means to cause in the mind of a person a reasonable apprehension of injury to him or to any member of his family or of violence or damage to any person or property, and the expression 'injury' includes injury other than physical or material injury, and accordingly the expression 'apprehension of injury' includes an

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apprehension of boycott, or loss of any kind, or of exposure to hatred, ridicule or contempt."

The prohibition of mass picketing was not objectionable in principle either to Liberals or Conservatives, though Liberals were disposed to think the law complete enough as it stands already, even if it is in practice seldom enforceable. The new clause would extend the prohibition to social ostracism—an offence which the law will, the critics pointed out, have difficulty in tracking and overtaking.

The obscurities will no doubt have been dealt with in Committee before this article reaches the reader, but these examples of the criticisms directed against the Bill illustrate the inherent difficulties that attend legislation on the vexed subject of trade union rights. For the rest, the Bill provided that trade union members shall in future "contract-in" as subscribers to the union's political fund, instead of, as now, "contracting-out" when they do not wish to subscribe. The political fund is to be kept and accounted for separately from the other funds. Established civil servants may not be members of an organisation having political objects or affiliated to a political party. Local authorities are forbidden to make membership of a trade union a condition of employment. Employees of public authorities are made liable to penalties for a breach of contract preventing the authority from discharging its function. Finally, the Attorney-General is given power to apply in the Courts for an injunction restraining the use of trade union funds in contravention of the Act.

The motives of the advocates of the Bill have already been indicated. They claimed also that the Bill was necessary to protect not only ordinary citizens but trade unionists themselves. They pointed to the threats of another general strike which were still made by some of the extremists, and to the denial in certain quarters that a general strike was in any way illegal. The attitude of the Liberal opponents of the Bill has also been explained. It

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remains to say a word about the motives of the Labour opposition, and to consider the effect likely to be produced upon the great body of working-class opinion.

By pledging itself in advance to uncompromising resistance to any legislation affecting trade unions that the Government might undertake, whatever it might contain; by refusing all consultation or collaboration; and by rowdiness in the House of Commons, the Labour party at the outset gave its opposition a factious and propagandist appearance. But there was more than party tactics in its extravagance. There was real bitterness in its attack on what it called the "blacklegs' charter." The right to strike is, it claims, the sole substance of collective bargaining on the trade unionists' side, and their rights, it contended, would be unfairly limited by the Bill.

To what extent will the trade union world as a whole share this bitterness? There are those who think that Labour generally will consider that its rights are being vindictively restricted; that the general strike was only used as a pretext by the Conservative party, and that the provision with regard to the political funds of the unions is a base and partisan attempt by a wealthy party to paralyse the fighting power of a political opponent. Labour leaders have, such critics say, been given the congenial task of convincing the working man of his danger and that they will be helped by the Conservative record. The new measure has a negative character, and, whatever it does for individual trade unionists, it is in restraint of trade unions as a whole. It will be emphasised that the Government have been less prompt in constructive labour legislation, and their slowness to apply the eight-hours convention and their postponement of the Factories Bill will be used against them. On the other hand, election statistics show the large proportion of trade unionist votes cast for Conservative and Liberal candidates, and, as our last number pointed out,\* Conservative members were pressed

\* THE ROUND TABLE, No. 66, March 1927, p. 334.

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by working-class constituents to take action. Undoubtedly there are hundreds of thousands of trade unionists who dislike the class-war, and distrust its apostles, though they lack the character or energy or opportunity to make any effective protest. It is true, too, that noisy, active political minorities tend to conduct the industrial business of many trade union lodges. Most causes, good or bad, are run by minorities. It is also true that there is a considerable element of intimidation in trade union discipline. The most impressive speech made in support of the Trade Unions Bill in the House of Commons came from a miners' member, Mr. Spencer. After the breakaway from the policy of the Miners' Federation last year had begun in Nottinghamshire, Mr. Spencer took charge of it and organised it. He is the founder of the non-political miners' union now flourishing in that area, and he has been duly ejected from the Labour party in the House of Commons. His personal testimony to the overbearing methods practised within the Federation and the diversion of industrial machinery to political ends, was hardly answerable. Lastly, it can be taken for granted that the failure of the policy or want of policy that landed the workers in a general strike has caused widespread disgust.

As against this, it is said that trade unionists will part with their political allegiance rather than abandon anything that helps to secure their industrial rights, and that they will rally to the defence of their standards without respect of parties if they are convinced that they are in danger. The purpose of this article, however, is to set out the facts, not to attempt predictions. At the moment of writing, moreover, the Bill has not received its final form.

Lastly, there is the question of the effect on the fortunes of Liberalism. As usual, it was not unanimous on the merits of the Bill, but this time the differences of judgment were not acute. For once it is in the position of a *tertius gaudens*. The Conservative majority can carry the Bill unassisted. Liberals are free to criticise. They are free to compete

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with Labour for whatever supporters Conservatism may shed in the constituencies. The forthcoming report of their industrial inquiry will offer an alternative to Conservative *laissez-faire*, as well as a refuge from Socialism. They have an opportunity, and they intend to make the most of it. With two by-election successes already to their credit they are gaining confidence. Both were won in three-cornered contests, it is true, but three-cornered contests threaten to be the rule at the next election. A Conservatism taking its chances on the Right rather than on the Left, and Labour occupied in proving either that there was no general strike last year or that it was a strictly legal proceeding, would undoubtedly suit Liberalism's book to a nicety.

### III. OTHER EVENTS

THE present session of Parliament, due to end with the summer, will be mainly memorable for the legislation on trade unions. The rest of the immediate programme is not ambitious, and the public is not much interested in Parliamentary activities save where they directly touch its industrial and economic life. That mood is faithfully mirrored in the House of Commons. Nothing like the large attendances that crowded the House for the Trade Unions Bill had been seen before in this Parliament. Normally, its business shows the natural symptoms of an unassailable Ministerialist majority—sparsely occupied benches and scantily reported debates. Yet the proceedings record one decision that would have moved a pre-war Parliament to its depths. The Cabinet has undertaken, by removing the last distinctions of sex from the franchise, to increase the electorate by nearly five millions before the next general election. Women, with certain exceptions, now reach the vote at the age of thirty. The voting age for men is, of course, twenty-one. This is broadly the position as the

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last great extension of the franchise after the war left it. The organised women's movement has never rested content with a settlement which was obviously provisional and temporising. Just before the last general election Mr. Baldwin stated the view of his party :

The Unionist party is in favour of equal political rights for men and women, and desires that the question of an extension of the franchise should, if possible, be settled by agreement. With this in view it would, if returned to power, propose that the matter be referred to a conference of all political parties on the lines of the Ullswater Committee (which devised the last scheme of extension and redistribution).

Subsequently, in 1925, the Home Secretary carried this declaration further by saying " quite definitely " that there would be no difference in the ages at which men and women would go to the polls at the next election. At that time there was some discussion of a change in the law by which, in future, men and women alike should attain their political majority, not at twenty-one, but at twenty-five. The Government is now being held to its pledge. There is a widespread feeling that the chance, whether or not it was desirable to take it, of advancing the voting age for both sexes has been lost. The Government, without tying itself to a date, has repeated its promise of action before the next election, but does not contemplate a redistribution scheme. The women's spokesmen are still not quite satisfied that the extension will be effective in time for the general election, whenever it comes. But the Parliamentary prophets—in spite of occasional rumours on the Labour benches to the contrary—do not count on an appeal to the country before the autumn of 1928 at the earliest.

In 1918 an electorate of eight millions was increased to eighteen millions at one stroke. It will be over twenty-three millions when the Government has carried out its pledges. With no elaborate safeguards the constitution has managed to carry the huge weight put upon it in 1918 fairly successfully through the stresses of the last nine



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years. The new addition can hardly be serious in point of numbers. But the interesting feature of the enlarged electorate will be that women will outnumber men by nearly two millions. The prospect does not seem to disturb public opinion greatly, though a section of the press has been campaigning against "votes for flappers." The women's organisations point out that the new voters coming in under the age extension will only account for about half the increase. The rest will be women already over thirty, qualified by age, but disqualified by the discriminations that survive in the law as it stands.

One other event must not be passed over in a review of the quarter. The difficult question of the apportionment, as between the central government and the local authorities, of the burdens of trade depression is still unsolved. It is generally agreed that of all handicaps which British industry has to carry at the present time local taxation is the most severe. The areas on which the after-war years have borne most heavily have the heaviest expenditure to meet and the lowest resources, relatively, out of which to meet it. They are also the areas which tend to elect local representatives with the most generous ideas of the duty which a public authority owes to its more necessitous constituents. The combined pressure of these circumstances has reduced some boards of guardians to an advanced condition of bankruptcy, and where there has been no prospect of their taking any but the line of least resistance the Minister of Health has had to supersede them with commissioners appointed by himself.

Chester-le-Street, in the Durham coal-field, is one of the places where the Minister has intervened to take over the local administration of poor relief. The Commissioners were instructed to investigate and report on the practices of the guardians. Their account of events was startling. We quote the following comment from the *New Statesman*, which cannot be accused of unfriendliness to the Labour party :

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The Report itself is astounding. It describes the administration of the elected Guardians during the first four months of the coal strike and far more than justifies the action of the Minister in relieving them of their duties. A final judgment is not possible, of course, until the defendants have been heard, but it is hard to see how there can be any defence worth mentioning. Out of the 59 members of the Board 47 belonged to the Labour party, and 39 of these were miners, miners' wives or miners' officials. The majority first arranged their procedure so as to exclude non-Labour members of the Board from any effective part in the administration of out-relief. It then granted relief wholesale up to 55s. per week per family, and subsidised the wages of those who were still at work but earning less than that amount. It forbade inquiries into the private means of applicants, dismissed Relieving Officers who would not carry out its illegal orders, reduced the relief of men who were in arrears with their Union subscriptions, issued relief vouchers valid only at Co-operative shops, and finally, since Guardians cannot grant themselves relief without vacating office, its members organised a collection for their own benefit at the exits of the relieving stations. Some of these measures it had adopted by resolution long before the strike began. The suggestion in the Report that there are grounds for a criminal indictment seems to us rather absurd, but there can be no doubt about the gross maladministration that has been going on. A mining district, of course, is a mining district, which is apt to regard itself as an independent community, morally entitled to carry out a local revolution for the benefit of the local majority. But a few more such cases would do tremendous injury to the national Labour movement, and it is to be hoped that the Labour Front Bench, without too much regard for the feelings of Mr. Cook, will show no hesitation in saying what it really thinks of this scandalous affair.

It should be added that this case is an extreme one, and that for the most part Labour majorities in charge of local administration conduct their business in a very different spirit. For all that, this revelation of what can happen when a local community decides to finance social experiments of its own out of the public funds has strengthened the hands of the Minister in ensuring that rates shall be spent with due regard for the law, and has probably sped the cause of larger reform.

## IRELAND : EVENTS IN THE FREE STATE

### I. POLITICAL

**B**y the time this article is published the dissolution of the present Dail will probably have occurred and the general election campaign will be in full swing. The election itself is expected to take place about the second week in June. We are indeed already living in an election atmosphere, and the newspapers are full of the manœuvres and battle-cries of the contending parties. Before speculating as to the possible result it is necessary to consider the present strength of the various parties, which is as follows :—Government, or Cumann na nGaedheal, 56 ; Republicans of all sorts, 47 ; Labour, 15 ; Farmers, 15 ; Independents, 12 ; People's party, 4 ; National League, 3 ; and one vacancy due to the death of a Government member, making a total of 153. The Republicans, with the exception of Mr. Dan Breen, have never taken their seats, because they refuse to take the oath of allegiance, and one may surmise that at least half of them, and probably far more, will not be re-elected if they maintain this attitude, because the people now fully realise that deputies who neither sit, act, nor vote in the Dail may be ornamental, but are certainly not useful.

The crucial question upon which this election will eventually turn is : who will secure these twenty or thirty new seats ? Having regard to the voters they represent, it is probable that few if any of them will go to the Govern-

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ment party, and unless they can capture several seats from the other parties and lose none of their own, both unlikely contingencies, there is little prospect of their having a majority in the new Dail. The writer is quite aware that this opinion is contrary to the facile optimism of most other Irish political prophets, who seem to have assumed that, because they feel that it would be a good thing for the Free State that the present Government should obtain a new lease of power, therefore it will be granted to them. The Government themselves are obviously not living in such a fools' paradise, because although they have loudly proclaimed that they will not take office again as the result of a coalition after the election, they have sought to anticipate such an eventuality by arriving at a pre-election fusion or alliance with the Farmers' party. This alliance would have been beneficial to both parties and excellent for the country, because the agricultural element would have been a steadying influence in such a combination and would have curbed the ultra-nationalist and extreme protectionist wing of the Government. Unfortunately the Farmers' Union at its annual congress decisively rejected this proposal, largely through the influence of its Southern members, who are strongly anti-Government, and in favour of free trade. As a result, Mr. Gorey, the Chairman, and Senator O'Hanlon, the able secretary of the Farmers' party, who were the chief protagonists of the proposed fusion, have resigned, and the Government can hope for no help from that direction. It is difficult to see from what other source they can expect it. Mr. Cosgrave when asked a short time ago by an American journalist what programme his party intended to put before the electors replied : " Our record," and this indeed is their best argument for a renewal of public confidence, but it is also a double-edged sword. The resolute moral courage and the indifference to popular clamour which they have shown during their term of office have made them multitudes of enemies. The strict enforcement of law and order, the stringent levying of taxation,

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the new protectionist tariffs, and the various measures of social and economic reform for which they are responsible have stirred up against them all those forces which do not realise, or want to realise, that the first duty of a Government is to govern. There is also that jealous desire to pull down those who succeed, which is unfortunately one of our national characteristics. But the most unfortunate element in the situation is that if the Government do not obtain a majority in the new Dail no other party has the least likelihood of doing so, and it is difficult, if not impossible, to suggest any combination of parties which is likely to unite either in principle, policy, or personalities for the purpose of forming a majority Government. The Labour party, with its Marxian tendencies and its vague policies for nationalising the land, is the very antithesis of the Farmers' party. The People's party, which has been wittily described as the party without people, has nothing in common with the ex-soldiers, the publicans, and the still faithful supporters of the old Irish party, who form the nucleus of Captain Redmond's National League, or "resurrection men," who aim at resurrecting the old Irish party in personnel if not in policy. Captain Redmond has, it is true, been trying to discover if a coalition of all these discordant elements is possible on the basis of their mutual dislike of the Government, but even if achieved one doubts if it could long survive the shock of trying to think alike on a constructive basis. What is perhaps more disheartening and disquieting is that even if these discordant elements were to unite one cannot discern amongst them the personnel of an effective or desirable Government.

The only thing which at present seems certain is that the people as a whole will tolerate no return to extreme or violent policies, and that whatever swing of the pendulum takes place will be to the right rather than to the left. All parties are alike at the moment in having little money in their war chests and few suitable candidates. It is calculated that to fight an Irish general election on an extended

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scale at least £50,000 is required, and this factor alone will operate as a decided brake on the activities of the smaller parties, whilst it may well operate in favour of the Government, who are more likely to secure substantial financial support from the business community. Many people are inclined to blame proportional representation for our present plight, because it is argued that it accentuates the fissiparous tendencies of Irish politics. It may well be that whilst proportional representation undoubtedly gives adequate representation to all substantial bodies of opinion in the country it is also likely at the moment to prevent the creation of a strong and stable Government. On the other hand, the single member system elsewhere does not always produce stability of government or policy. The coming election will undoubtedly submit the system to a decisive test. It smashed the infamous electoral pact of 1922. Will it now fail to provide us with an effective Government ?

In so far as it will certainly ensure the return of some Republican deputies to the new Dail, proportional representation will act as a useful safety valve. Both of the cliques into which this party is now split are pledged not to enter the Dail, but the fact that Mr. Breen, a veritable Daniel in the lions' den, has survived the horrible feat of swallowing the oath of allegiance *in camera* may possibly lead to further defections from the strait and narrow path which Miss MacSwiney has chalked out for all who desire to enter the Promised Land. The splits which have already taken place in the Republican camp are probably child's play to those which will take place after the election. One of Miss MacSwiney's followers has recently stated that Mr. de Valera and his colleagues are "as big renegades" as the Government. This last-mentioned gentleman is engaged in America seeking to retrieve the American portion of the old Republican loan, which, like the famous Paris funds of the Land League, are held up by the courts because no one can agree to whom the apostolic succession



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to their ownership really belongs. Having split two political parties in five years, he is now somewhat humorously claiming American support as an apostle of national unity! Mr. Breen, who is a man of action rather than speech, on a similar plea has enlivened the proceedings of the Dail by introducing a Bill to abolish the oath of allegiance. This Bill was naturally rejected on its first reading by 47 votes to 17, Mr. Cosgrave pointing out that the oath was a fundamental provision of the constitution which had been overwhelmingly approved by the people and which we were bound in honour and good faith to maintain. One sometimes wishes that the oath were abolished if only to destroy the last refuge of our political hair-splitters and word-weavers and to leave them with no further excuse for refusing to face the realities of our political and economic position.

But this question of the oath is the least of the troubles which the Government has had to face. Within a few months of the general election Mr. O'Higgins, the Minister for Justice, greatly daring, introduced an Intoxicating Liquor Bill, based on the recommendations of the strong and impartial commission whose Report was made to the Government in 1925.\* These recommendations are founded on the sound principle that it is not the business of the law to make people good, but to maintain public order. The main changes proposed in the Bill, as introduced, were provision for the gradual extinction of the admittedly superfluous public houses, compensation being paid by the surviving publicans, a general reduction in the hours of opening, including a mid-day break in the cities, a doubling of the distance to be travelled by *bona fide* travellers on Sundays, and a provision giving the Circuit Court power to remove an endorsement on a licence on appeal when it was proved that the offence for which the endorsement was made was only technical or trivial in nature. The Bill in this shape was really a moderate

\* See THE ROUND TABLE, No. 60, September 1925, p. 757 *et seq.*



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proposal to deal with admitted evils, but its very moderation proved its undoing, because the temperance party, whose ardour is greater than their brains, sulked in their tents and left Mr. O'Higgins to face the fury of the publicans alone. The licensed trade have for many years exercised a dominating and unhealthy influence in Irish politics and are past masters in all the arts of political strategy. On this occasion they made the welkin ring with their lamentations and the press sprout with resolutions from a stage army of numerous trades' councils and associations all composed of the same people. Deputies were bombarded with telegrams and deputations to such good effect that when Mr. O'Higgins brought his Bill before a meeting of the Government party after its introduction (which was a serious tactical mistake) he found that only by considerable concessions could he secure their support. It would seem that he either under-rated the power of the trade or over-rated the backbone of his party. However, he has succeeded, after a lively struggle, in carrying the most important part of the Bill through the Dail, and no doubt it will pass into law. It therefore seems probable that during the next few years we shall witness a reduction of the surplus public houses by at least one-third, a consummation which the trade itself knows quite well is as essential to save them from bankruptcy as it is to prevent illicit trading. At one stage of the performance they were terrified lest Mr. O'Higgins, aggravated by their clamour, would withdraw the Bill altogether. Hours of opening will also be reduced, but the *bona fide* traveller is to be spared the expense of travelling double the distance to obtain his Sunday refreshment, and the District Court will have discretion to waive the question of endorsing a licence where the offence is trivial or technical in nature, a discretion which the Act of 1924 abolished and which Mr. O'Higgins steadfastly refused to renew. On this last question one must admit that the trade had natural justice on their side, and it was their most decisive victory over Mr. O'Higgins. It is

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unpleasant to record that four-fifths of the Labour party voted against the Bill. Ireland, nevertheless, is and will remain a relatively sober country. The increased price of drink and the rival attractions of the cinema and the dance hall are principally responsible for the decay of the public house. The story is told that an inebriated citizen, surveying the statue of Father Mathew, the Irish apostle of temperance, at Cork, remarked: "Come down, Father Mathew; go up, Lloyd George." It is amusing to reflect that whilst Mr. O'Higgins was seeking cover on one side of the border to escape the fusillade of the publicans, Lord Craigavon was fleeing on the other from the scalping knives of his temperance braves.

Mr. Blythe's budget, if not so sensational as Mr. Churchill's, is certainly more satisfactory. It can hardly be called a vote-catching manifesto, because it makes few changes in taxation. Its only outstanding feature is the reduction of the income tax from four shillings to three shillings in the pound, a reduction which he estimates will cost about £550,000 this year. This relief, which the commercial community has long demanded, is to be principally obtained by funding £500,000 of the army estimates as abnormal expenditure. The creation of a small standing army with a reserve and a territorial or militia force is to be gradually carried out. Even £1,500,000 a year seems an excessive sum to pay for an army which, no matter how efficient, must necessarily be absolutely ineffective for military operations against any possible external enemy. Its only *raison d'être* is the necessity for maintaining internal order, and for this purpose a small, highly trained, well armed, mobile force concentrated in or near Dublin, Cork and Galway ought to be sufficient. The Labour party claim that the Government should have increased old age pensions to their original limit instead of reducing the income tax, but no doubt if this had been done they would allege that it was for election purposes. After deducting £3,462,897 for non-recurrent abnormal

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expenditure and £630,000 for over-estimating, Mr. Blythe estimates total net expenditure for 1927-28 at £23,181,103 and net estimated revenue at £23,809,200, leaving an estimated surplus of £628,097. He calculates that the new system of note issue will yield a profit of about £100,000 in the current financial year. He stated that if large sums of money had been available for relief he would have considered lowering the tobacco duty, and indicated that in the near future the whole scale of income tax allowances would be revised from a social standpoint. No fresh tariffs are imposed, but since the Tariff Commission has been set up the Government have held themselves free to introduce special tariff legislation at any time, so that the absence of fresh tariffs in the budget cannot be taken as indicating any change of policy in this respect.

An Economy Committee is to be set up at once, consisting of experienced civil servants, to examine the whole field of government expenditure and to recommend such reductions as they consider possible. This is an answer to the demand for a Geddes Committee made by the Chambers of Commerce, but it is hardly likely to placate them, as the suggested tribunal will naturally be suspected of not desiring to use the axe very violently. There is much truth in Mr. Blythe's statement that whilst we must seek for economy we must not forget that we have an undeveloped country and that our real hope is in development. The nefarious tax on wireless apparatus, which is really a tax on rural education, is maintained, but the proceeds are to be earmarked for broadcasting service—another way of robbing Peter to pay Paul. Low power stations are now open in Dublin and Cork, and a high power station is projected.

Mr. Blythe stated that the national debt is now only £16,854,400, that he has reduced taxation by £3,000,000 a year since he has been in office, and that the general financial condition of the country is good. This last statement might be considerably qualified, as agriculture is

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far from flourishing, emigration continues unabated, and money is scarce. The banks, which advanced large amounts when land prices were at their peak, are now calling in their money and reducing credit at a moment when agricultural prices are low and the sale of land by no means easy. The heavy taxation has also hit the large landowners most severely. All this has combined to produce a somewhat depressing atmosphere for which the Government is most unjustly blamed. The reduction of the income tax and the bank rate will do something to improve matters, but whether they will re-establish the Government's political credit sufficiently to ensure their re-election is greatly to be doubted.

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**I**N the field of economics one must first chronicle the continued development of the Government's agricultural policy.\* A new Land Bill has been introduced which makes good certain defects in the existing land purchase code, the recommendations of the Currency Commission concerning agricultural credit are being carried into effect by the formation of a State-aided credit corporation to grant long-term loans to farmers, and active steps have been taken to organise and federate the creamery industry, which has suffered so much in the past from lack of centralised control and marketing. The Minister for Agriculture, Mr. Hogan, understands this subject thoroughly, and aims at nothing less than the complete resurrection and reconstruction of Irish dairying. At present there are about four hundred co-operative dairy societies run by the farmers and nearly two hundred proprietary creameries owned by business companies or individuals. In many cases co-operative creameries and proprietary creameries existed in the same district. The results are disastrous to both the

\* See THE ROUND TABLE, No. 64, September 1926, p. 818.

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creameries and the farmers. The competition lends itself to manipulation of both milk and prices. Mr. Hogan has formulated and negotiated a scheme for dealing with this situation. He has arranged to buy out, at a reasonable but not exorbitant price, the big creamery proprietors, who indeed have recently burnt their fingers sufficiently to welcome the proposal. These proprietary creameries he will either re-sell to the co-operative creameries or extinguish where they are redundant. This will leave the dairy farmers in control of their own industry. But Mr. Hogan quite properly goes further than this, because he stipulates that if the State pays the piper it should also be allowed to call the tune, and he therefore insists that the co-operative creameries shall be re-organised and made efficient. In the past these creameries have often failed from lack of capital, from want of support by the farmers, and more often from bad business methods. Legislation is to be introduced which will ensure that all suppliers to creameries shall become shareholders, that their area of operation shall be defined, that farmers supplying dirty milk shall be penalised, that a substantial portion of the capital shall be paid up, and that their accounts shall be properly audited. Finally, it is proposed that they shall be all affiliated to a central organisation and that a federation for marketing purposes shall be established. This federation is absolutely essential if we are to compete effectively in the English market with our competitors, who are all highly organised, and whose butter is subject to uniform packing and refrigeration during transit. The big wholesale firms naturally will not deal with a multitude of small societies who cannot supply a uniform and reliable article. What Mr. Hogan has done for our egg trade by regulation and control he now proposes to do for the dairy industry, which is the mainstay and basis of our agriculture. It is only right to add that it is the same policy which Sir Horace Plunkett, Lord Monteagle, Mr. Anderson and Mr. George Russell have been preaching in season and out of season for over a

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generation, and they may well be pleased and satisfied at seeing their projects fully implemented by an Irish Parliament.

The Tariff Commission\* has already held public sittings for the purpose of hearing applications from the margarine manufacturers and the flour millers. These sittings have had both an educational and a chastening result. The margarine manufacturers were told, quite properly, by the Chairman, Mr. McElligott, that they would have served their case better had they paid more attention to marshalling their evidence and less to uninformed propaganda, whilst the flour millers have been reminded that their alleged failure to compete with English millers is not altogether due to dumping, but, in part at least, to inefficient and out-of-date methods of organisation and manufacture. The opposition of the bakers and the biscuit manufacturers to this last application has also reminded the public that if a tariff is imposed the consumer will eventually have to pay. Neither application has yet been granted, and that of the margarine manufacturers has been definitely postponed for the production of further evidence. The emotional appeal in Irish economics is apparently not likely to be reinforced by the activities of the Tariff Commission, and it is now clear that it is far better to have protective duties discussed scientifically and publicly before imposition than to have them suddenly sprung on us in a budget speech. The decisive vote of the Farmers' Union Congress in favour of free trade is also likely to set the Government furiously thinking before embarking on further tariffs at the ill-considered behests of Mr. Walsh and his merry men.

The Government has also just introduced two economic measures of first class importance, one the Currency Bill, which follows the report of the recent Commission,† with

\* See THE ROUND TABLE, No. 64, September 1926, p. 813 *et seq.*, and THE ROUND TABLE, No. 65, December 1926, p. 135 *et seq.*

† See THE ROUND TABLE, No. 66, March 1927, p. 347 *et seq.*



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the important exception that the only limitation to the legal tender note issue will be its backing in sterling securities; the other the Electricity Supply Bill, which deals with the future control of the Shannon water power scheme\* and electrical supply generally. The Currency Bill is not likely to raise much controversy because, whilst it changes details and practice, it leaves undisturbed the fundamental fact that our currency is still based on the pound sterling. The Electricity Bill, however, has raised, and is likely to raise, considerable controversy. It proposes to set up a Board of Control, on the lines of that already existing in Sweden, which will have complete control over the generation and supply of electricity throughout the Free State and will be appointed by the Government. The original proposal of the experts was that existing electrical undertakings should remain intact, but take their supply from the Shannon scheme instead of generating it themselves as heretofore. The present Bill is entirely different because it contemplates that the projected Board of Control will absorb all existing undertakings, whether statutory, municipal, or otherwise, during the next five years. This change would suggest that the possibility of supplying power from the Shannon at a lower price than it can be generated from coal has become doubtful, and that it became necessary to exclude the possibility of competition. The Board of Control will have full power to control, co-ordinate, and improve the supply, distribution and sale of electricity generally. It will also be empowered to sell or hire electrical equipment machines and fittings of all kinds, thus competing with the present electrical retail suppliers and contractors, a proposal which seems hardly just or desirable. The Board will be advanced a loan not exceeding £3,100,000, which shall partly constitute its working capital and can be also used to purchase existing undertakings or in developing new areas. After December 1932 the charges made by the Board must be such that the

\* See THE ROUND TABLE, No. 60, September 1925, p. 761 *et seq.*



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total revenue will meet the expenses of administration, interest, sinking fund, renewals and depreciation ; in other words, the scheme is expected to pay its way but not to be a profit earning enterprise ; its primary object is to be the supply of cheap power, and not the relief of taxation. The Dublin newspapers have raised a loud and artificial outcry against the Bill on the ground that it does not propose to repay to the Dublin municipality the entire sum which the Dublin electric station has cost. Mr. McGilligan, the Minister for Industry and Commerce, replies that practically this entire sum has been paid off by the consumers, and that the proposal to repay the municipality now out of the Board of Control funds is equivalent to asking the consumer to pay all over again, as any such payment must in reality come out of his pocket in increased charges. He maintains that municipal enterprises are created to give an efficient service and not to make profits, and this seems to be a rational position. There are more serious grounds for objecting to the Bill, which will eliminate all private enterprise and competition and make it almost impossible to decide whether the Shannon scheme has been justified. The results of similar State controlled enterprises elsewhere are by no means encouraging. However, if the proposed Board of Control can co-ordinate and stimulate the supply of cheap and efficient light and power it will have done something, though not perhaps as much as its promoters think, to develop our economic condition. Power is after all a very negligible part of industrial expenditure, and even cheap and plentiful electricity will not create a Birmingham west of the Shannon, as some people seem to think.

There is no doubt that the Government is seeking to rush through a great deal of important and complicated economic legislation on the eve of the election so that it may present a completed task to the electorate, and it may be doubted if this is wise. Captain Redmond has indeed already asked the other Opposition parties to combine in asking the Senate to exercise its suspensory powers in respect of

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these Bills, although it is difficult to see what object is to be attained by such procedure, save to add to the difficulties of the next Government. Mr. Johnson, on behalf of the Labour party, has refused to be a party to this procedure.

Amongst minor measures also on the legislative stocks may be mentioned the Railways' Road Motor Service Bill, which empowers the railway companies to run road motor services on condition that the routes and nature of the service are approved by the Minister for Industry and Commerce. Such services, once undertaken by the railway companies, shall not be discontinued without the Minister's sanction. The motor bus has become an active and serious menace to the smaller branch railway lines, and without some such powers as the Bill confers the railway companies could not hope to maintain their present earning capacity.

The first report of the new Local Government Department has just been issued. It covers the years from 1922 to 1925. It is a remarkable record of reorganisation and activity. No department suffered such disturbance during the Anglo-Irish conflict and the civil war, and Mr. McCarron, its permanent and competent secretary, deserves the greatest credit for the work accomplished. One wonders, however, whether the policy of centralisation, and the abolition of the rural district councils, has not been in part responsible for the terrible tragedy at Adrigole, County Cork, where a father, mother and two children living in a remote mountain farm died from starvation. This frightful story of destitution has shocked the conscience of the entire country, and it is to be hoped will prevent its repetition. Generally the position in this part of West Cork is that there is a considerable amount of poverty amongst the small farming class, who are not as prosperous or well off as English agricultural labourers. The land is poor, the holdings uneconomic, and the people depend on incidental employment. In this particular case

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it is probable that pride, remoteness from assistance, and the provisions of our poor law which make it difficult for a landowner of any kind to obtain relief, all contributed to the tragic ending.

The report of the Committee on Evil Literature has raised problems of another kind. They propose that not only should we exclude journalism of the baser kind, but that there should be established a complete censorship over literature. There are some passages in the Committee's report which indicate that they are not unaware of the difficulties inherent in such a proposal. One may well ask what would have happened to the Irish theatre during the last quarter of a century had such a censorship been in force. Would it have produced one of the most vital and distinctive dramatic literatures in Europe? There are plenty of fanatics in Ireland who, once a censorship was established, would not be content till it had reduced our literature to a dead level of empty banality. Nor would such a censorship be really effective, because whilst it might suppress great literature it would not keep out the viler kinds of journalism. Already, in both Dublin and Cork, some of our enthusiasts for virtue have seized and destroyed imported newspapers which they decided were injurious to our morals. It is apparently a matter of small importance that in doing so they were guilty of robbery by violence. It may be doubted if such methods of propaganda will improve either our morals or our manners, but that they should be employed with the active approval of ecclesiastical dignitaries displays a mental attitude that is difficult to understand and more difficult to justify.

The Irish Free State.

May 1927.

## CANADA

### I. THE NEW PARLIAMENT AT WORK

THE first session of the sixteenth Federal Parliament of Canada, which ended on April 15, was the shortest on record, for, although Parliament met on December 5 for a brief sitting to clear up arrears of business left over from the truncated session of 1926, the session proper of 1927 did not begin until February 8 and occupied only 54 days. To its brevity several factors contributed. The strenuous struggles of the session of 1926 had exhausted the controversial capacities of a large proportion of the members and given them a taste for parliamentary tranquillity. The Government wisely fell in with this mood by producing a very modest legislative programme, of which most of the items were of an unimportant or non-controversial character, and the Conservative leaders, having decided that it would be wise tactics to force no major issues until the party had selected a permanent leader and equipped itself with a new programme, showed an accommodating spirit. The independent agrarian group, however, who possess a high average of parliamentary ability, and who enjoyed the steady co-operation of the three Labourites, were always vigilant and ready to launch shafts of criticism at measures which were unpalatable to them, and indeed, despite their reduced numbers, they gave the Government more trouble than did the Conservatives. On the Government side of the House Col.

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J. L. Ralston, of Nova Scotia, the Minister of National Defence, justified the high reputation which he had brought to Ottawa, and in recent years no Canadian politician has achieved such a striking parliamentary success in his first session. He gave evidence of combining character, good judgment, energy and fair-mindedness with first-rate debating powers and, if he can be prevailed upon to overcome his avowed preference for a legal and judicial career, he is obviously destined to play a major part in Canadian politics in the coming years. Mr. Guthrie's long parliamentary experience enabled him to lead the Opposition with dignity, while a striking impression was made by Mr. R. B. Bennett, of Calgary, whom the Government found one of their most formidable critics. Of the recruits who entered the House at the last election the most promising are Mr. Ernst, of Nova Scotia, an ex-Rhodes scholar, and Mr. Glen, of Manitoba, a Scotch lawyer, who sits as a Liberal-Progressive.

In the budget which the Finance Minister produced on February 17 he was able to show a substantial surplus and to offer what were popular tax abatements in the shape of a ten per cent. cut in the income tax and a reduction of the sales tax. Not a single change in the tariff was proposed and an excuse for fiscal inaction was found in the plea that the findings of the new Tariff Advisory Board upon a series of important applications must be awaited. The chief criticisms came from the Progressives, who disliked the absence of tariff reductions and sensed that the cut in a direct impost like the income tax would help at a later date to put in the hands of the protectionists the plea that revenue necessities forbade lower tariffs. So they assailed the budget as a capitulation to protectionist influences and moved a hostile amendment which, however, was snowed under by the combined vote of the Liberals and Conservatives. The Conservatives on the whole, although they voted against the budget, were not dissatisfied with it and acclaimed it as giving expression to their own fiscal views.

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The most important batch of legislation was found in the measures designed to give effect to the recommendations of the Royal Commission appointed to report upon the grievances of the maritime provinces. For them it had urged very generous favours, and it is understood that a sharp controversy developed in the Cabinet before an agreement was reached about the Government's policy. A decision was probably hastened by the knowledge that, if most of the recommendations of the Commission's report were not carried into effect, a number of important papers in the maritime provinces had made plans to publish simultaneously editorials in favour of secession. Eventually the Government decided to make a real effort to appease the dissatisfied provinces and adopted as its policy four-fifths of the recommendations of the report. The Conservative members from the maritime provinces, although some of them grumbled at the Ministry's failure to give any fiscal succour to the coal and steel industries, were satisfied with the concessions which had been secured and at their instigation their party endorsed the Government's policy. So a series of measures which provided for increased Federal subsidies to the three Atlantic provinces, lower freight rates on their railway lines, the transference of the ports of Halifax and St. John to the control of Harbour Commissions, financial assistance to coking plants whose object is to make possible an increased use of Nova Scotian coal, and other lesser boons, were passed through Parliament with very little opposition. The Progressives were disposed to be critical of the special freight rate favours being granted at a time when in their view the Government was conniving at a grave injustice being done to the prairie provinces by the railways, but predictions that the maritime report would provide the fiercest controversy of the session were falsified.

A number of measures, which had been sacrificed last year through the summary dissolution of Parliament, were reintroduced and passed into law. Of these the most

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important was the Old Age Pension Bill, which proposes that the Federal and provincial Governments co-operate with equal contributions to provide aged necessitous persons with a pension of \$20 per month. But some provinces have already intimated their unwillingness to accept the scheme and British Columbia alone seems inclined to promise its co-operation. The Rural Credits Bill, which was also a relic of last session, has now become law ; but here again it is very doubtful if it will be extensively utilised. There was the usual crop of amending legislation ; provision, for instance, was made for the revaluation of the holdings of soldier-settlers, and the administration of the customs and revenues, of which the previous laxity had been emphasised by further revelations before the Royal Customs Commission, has been tightened up. The Customs Department disappears as a separate entity and there has been brought into existence a Department of National Revenue which will be charged with the collection of all taxes. One interesting piece of legislation passed in the final days of the session was a measure which transformed Ottawa and its environs into a Federal District, and sanctioned a liberal grant for the Commission which will supervise town-planning and beautifying operations within the favoured area.

In the end it was a private Bill which produced the most prolonged controversy of the session, but involved in its fate was a prize of immensely valuable power rights and a very important issue concerning the respective jurisdiction of the Federal and provincial authorities. Some twenty years ago Sir Robert Perks, the well-known English politician and contractor, had acquired a charter to build a ship canal which would use the Ottawa River as its main channel from Montreal to the Georgian Bay on Lake Huron. This charter, although no work beyond some preliminary surveys had been undertaken towards completion of the canal, had been repeatedly renewed and about a year ago it passed into the hands of a syndicate whose leading mem-



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bers were Sir Clifford Sifton and his sons. Its value obviously lay in the claims which might be established under it to the undeveloped power resources of the Ottawa River, and as it was due to expire on May 1, the Sifton group induced a Liberal member to sponsor a private Bill for its renewal. But meanwhile rival interests had entered the field as competitors for these power resources, of which by far the most valuable body was at the famous Carillon Falls lying between Ottawa and Montreal. For the joint utilisation of the Carillon Falls the State-owned Hydro-Electric Commission of Ontario and the group of private power companies, which are dominated by Sir Herbert Holt of Montreal, had entered into an alliance with the connivance of the provincial Governments of Ontario and Quebec. The latter, claiming as owners of the river-bed of the Ottawa the right to dispose of its power resources, had entered into a formal agreement that the Carillon Falls should be developed by a corporation called the National Hydro-Electric Company and that the resulting electrical energy should be shared by the Holt companies and the Hydro-Electric Commission; the Meighen Ministry also, during its brief tenure of office, had fortified this claim by granting a lease to the National Hydro-Electric Corporation.

But the Bill which sought a renewal of the Georgian Bay Canal charter clearly challenged this arrangement, and no sooner was it introduced than vigorous opposition developed. The Conservative and Progressive parties co-operated in deliberate tactics of obstruction, and the time allocated for private Bills being limited, talked it out night after night. The provincial Governments of Ontario and Quebec also registered a formal protest against the Bill and took the ground that since they controlled the power rights on such inter-provincial streams as the Ottawa, the Federal Government could not dispose of them under a charter or by any other method. The Government were faced with the dilemma of offending either Sir Clifford Sifton, whose paper, the *Manitoba Free Press*, has been

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giving them invaluable support, or of incurring the displeasure of Premier Taschereau of Quebec and his associates, and they also found public opinion in Ontario virtually unanimous against the Sifton Bill, and Liberal papers like the *Toronto Globe* and the *Ottawa Citizen* strongly criticising it. So they took refuge in a Laodicean attitude and eventually, after they had exerted their influence to get the Bill into committee, assisted in its slaughter there. But before this deed was done the Government, through the voice of the Minister of Justice, challenged the validity of the claims of the provinces about power rights, and insisted that on rivers like the Ottawa the right of disposition lay with the Federal Government by virtue of the authority over navigable streams conferred on it by the British North America Act. It happens, moreover, that the lease granted to the National Hydro-Electric Company also expires next May, and it is rumoured that the King Government will refuse to renew it and will defy the two provincial Governments to grant any concessions for the development of the Carillon Falls. A prolonged legal battle, which would eventually be carried to the Privy Council, would be the natural consequence of such a stand, but the delay which this conflict would involve may induce the contending interests to reach a compromise, and the extinction of the charter and the lapse of the lease would leave the way clear for a new arrangement. But, whatever the outcome may be, it is clear that the power resources of the Ottawa and St. Lawrence are destined to be a bone of contention between rival power interests in the coming years, and the struggle over them will intermittently invade the political arena.

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### II. THE IMPERIAL CONFERENCE DEBATE

THE proceedings of the late Imperial Conference and the general question of Imperial relations were the subject of an interesting debate which consumed four whole days in the Commons, and a parallel discussion of a less consequential character followed in the Senate. Premier Mackenzie King had intimated on December 13 the intention of the Government "to put this report before the House just as it appears and recommend its adoption," and as a result there was considerable surprise and a strong protest from the Opposition leader when he announced that he had changed his mind and would refrain from moving a resolution. A desire to keep the Imperial question above partisan strife was given as the reason for the reversal of his earlier decision, but the suspicion prevails that a stronger factor was pressure from his French-Canadian lieutenants, who had discovered a widespread uneasiness among their constituents about the exact implications of the report, and were anxious to avoid any appearance of being definitely committed to it. Mr. King appeared to be anxious to avoid a division in the Commons upon the report, for when Mr. Guthrie moved an amendment, he made a strong but unsuccessful appeal for its withdrawal to prevent the appearance of any political cleavage upon this particular issue.

The Conservatives had made up their minds that it would be good tactics to stimulate such apprehensions as existed in Quebec, and to this task Mr. Guthrie addressed himself in his speech. Fastening upon such paragraphs in the report as:—

"Every self-governing member of the Empire is now the master of its destiny. In fact, if not always in form, it is subject to no compulsion whatever. . . . (and) "

## The Imperial Conference Debate

The different British nations are "in no way subordinate one to another,"

he proceeded to argue that since under the British system formal legalities could never impair the authority of accepted practices, the Canadian Parliament had, as the result of the report, become an untrammelled sovereign legislature and the cherished constitutional safeguards which the British North America Act was supposed to offer for the special rights and privileges of French-Canada had been wiped out.

The Canadian Parliament, he argued, was now free to pass a law abolishing the special recognition accorded the French language, and if it decided that appeals to the Privy Council must terminate, they would cease. He then elaborated at considerable length the thesis that since the provinces, which had made confederation possible by the sacrifice of various sovereign rights, were parties to this original pact under which the relationships with Great Britain were defined, no change in these relations and no amendments of the Canadian constitution must be made without their approval, and he moved an amendment in the following terms :—

That it is not desirable that this House should be deemed tacitly to have acquiesced in the declarations and recommendations contained in the report of the proceedings of the Imperial Conference, 1926.

That in the opinion of this House the proceedings of the recent Imperial Conference and the declarations and recommendations contained in the report of the Imperial Conference Committee on Inter-Imperial Relations should not be binding upon the Parliament of Canada until approved of by a formal resolution of this House ; and that until such approval is obtained this Government shall not be deemed to be authorised to take any steps to carry into effect the recommendations contained in the said report.

That it is also the opinion of this House that no amendments should be procured to the British North America Act to give effect to the said report or otherwise, which would affect the rights, powers or privileges of all or any of the provinces of Canada, as they

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now exist under the terms of the said Act, unless the same are first approved by the legislature of each of the provinces of Canada.

Premier King, who spoke twice during the debate, favoured the House with a general review of the proceedings of the late Conference, and in discussing the constitutional report took the line that, while it made no basic changes in the relations of the self-governing communities of the Empire, it was a notable and valuable achievement inasmuch as it gave formal registry and final sanction under the high authority of the Conference to conditions and practices which had, in some cases for many years, already been incorporated in the working political machinery of the Empire and served a useful purpose in clarifying the status of the Dominions in the eyes of foreign peoples. In his second speech he displayed resentment at the critical attitude of the Conservatives, and argued that the Imperial problem should always be lifted above the sphere of partisan controversy.

Mr. Lapointe, the Minister of Justice, succeeded in making out a well-reasoned case for the report, and his verdict upon it is worth quoting at length :—

The Conference (he said) has crystallised the principle of equality of status which was already recognised and which was the logical outcome of the development of the various nations. It has published a definite, clear and official adherence to that principle. It has done so in such a way as to make it the greatest contribution to the permanency of the free association of the nations of the Commonwealth. It is the final and unequivocal acceptance of the principle of unity and liberty ; unity preserved and enshrined in the British Throne and liberty in all domestic and external activities of the various nations of the Commonwealth. It is no longer, as has been said by some writer, " Daughter am I in my mother's house, but mistress in my own." The family is a family of sisters equal in their rights and activities.

In common with Mr. King, he mocked Mr. Guthrie's new solicitude for the rights of the French-Canadian minority, but both were at careful pains to give explicit

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assurance that the pact of confederation was unaltered by the report and that they would countenance no impairment of the special rights of French-Canada. In discussing these rights, however, Mr. Lapointe made one very significant statement.

No authority (he declared) outside Canada can effectively protect them [*i.e.*—French-Canadians' privileges] for us. We must rely upon ourselves for the safeguard and protection of these rights, working in co-operation and understanding with our fellow-Canadians in this country. It would not be possible, Sir, to secure the permanent adhesion of any section of the Canadian people to any plan whereby there would be any political force superior to their own government and their own constitution, which could, even indirectly, have authority to control their actions. It is not an act of isolation or indifference; it is an act of readiness to serve in the nation's own way.

In this declaration of faith he threw overboard the traditional doctrine that Quebec could never afford to entrust her special rights to the mercy of a Canadian Parliament, and such a statement, coming from the leader of French-Canadian Liberalism, makes a very important advance in sentiment in regard to this particular issue. Mr. Lapointe also discussed at considerable length the legal limitations which still exist in conflict with the ideal of full constitutional equality and, while he was very guarded in his references to the fate of Privy Council appeals, he pronounced openly in favour of the repeal of the Colonial Laws Validity Act. No other Ministers participated in the debate, but a number of Conservative members continued the barrage of criticism and for the most part argued that the report was dangerously centrifugal in its tendencies and could not fail to raise far-reaching domestic issues.

Voices of criticism from other quarters than the Conservative front benches were not absent. Mr. Bourassa regarded the report as a Machiavelian document which was a credit to the almost supernatural skill of British statecraft; it was devoid of harmony of thought or purpose, but something had been inserted in it to please everybody, and the

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result was that, although certain formal political bonds which had served their day had been voluntarily discarded by Britain, her statesmen had succeeded in their object of "preserving the means and ties by which in days of strife they will get the men and treasure from the Dominions to help them in all their Imperial enterprises." This mournful conclusion set him off upon his usual indictment of British Imperialism and its misdeeds, and once more he assailed both the historic parties for their timorous submission to its doctrines and their abandonment of the stout nationalist attitude which Sir John Macdonald had always adopted. The Dominions, in his view, had been given a sort of specious constitutional freedom to play with, but in reality they occupied the same position as the people known as "quality niggers" in the Southern States in the old slavery days. They were splendidly treated and during the Civil War were eager to fight for their masters because of the love they bore them.

But (said Mr. Bourassa) they were loath to exercise the responsibilities of freedom. They did not want to earn their living by their own initiative. They wanted to be possessed and be protected. They wanted to live in that happy state of semi-animal, semi-celestial irresponsibility in which they had dwelt for generations.

He bewailed the fact that the "quality nigger" spirit was rife in the Dominions and was even visible to a deplorable degree in his own province of Quebec. Then he subjected to stern dissection the phraseology of the report.

And yet you tell me this is one empire! (he said). Well, no. Of course there still exists a British Empire, the one I mentioned a moment ago, that one composed of England, of India, of all the subordinate colonies, of all the protectorates, of all the mandated countries, according to the vocabulary which diplomatic hypocrisy has adopted to define the works of plunder. But of that empire we form no part.

The "quality niggers" are not in the empire; they are nowhere. Of that empire we do not form part. In the government of that empire we have no influence whatever. In the policy imposed



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upon the British Government by the fact that the British nation possesses one-quarter of the globe, we have nothing to say or do except to co-operate of our own free will when war is declared against her or when she declares war, because of the fact that she possesses India, three-quarters of Africa, a large portion of America and most of the scattered islands in the seven seas.

He also objected to the term "Commonwealth of Nations."

How can you (he asked) call by the word "Commonwealth" a gathering of nations who claim that they are absolutely independent one of another; that they have the same equality of status; that none of them is subordinate to another? Of course you can call that a commonwealth because you can always adopt any word you like, but it does not correspond with anything in history or in constitutional law of which I have ever heard.

He held that the declaration embodied in the report represented a slight advance towards the goal of those who "look upon full-fledged independence as the only outcome for a self-respecting people of various origins but united upon the basic principles of British liberty," but he also contended that in regard to foreign relations and matters of war "there is a visible retrogression even from the Conference of 1923, and it is there I find the triumph of British diplomacy."

The Conference in his view had evaded the most fundamental issues of all, the responsibilities of the Dominions for British foreign policy and its fruits, and until it was boldly faced delegates to Imperial Conferences would simply be engaged in the profitless game of squaring a circle.

Mr. Bourassa also pronounced in favour of abolishing appeals to the Privy Council, and he agreed with Mr. Lapointe that French-Canada could not afford to lean indefinitely upon the Privy Council and the Imperial Parliament for the protection of her rights.

More constructive criticism came from some Western members who represented the school of nationalist thought

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created by the *Manitoba Free Press*. They welcomed the constitutional report as a useful document, but contended that as long as existing legal limitations upon Canadian sovereignty were allowed to survive, the claim that full equality of status with the mother country had been attained was dangerously fallacious. Mr. Thorson, a Winnipeg Liberal, who, like Mr. Ernst, is an ex-Rhodes scholar, went so far as to outline the following programme of reforms which he regarded as imperative if the goal of full constitutional equality was ever to be reached :—

1. Complete freedom from the supervision and control of Canadian legislation by the Government of Britain, even although that control and supervision be nominal.
2. The right to pass legislation having an extra-territorial effect if we deem it desirable in the interests of Canada to do so.
3. The right to decide for ourselves how we shall administer our laws and to prohibit appeals to the Privy Council if we so desire.
4. The right to amend our own constitution as we may deem it necessary without the intervention of the Parliament of Britain.

When a division was taken upon Mr. Guthrie's amendment, it was defeated by 122 to 78, the Liberals and Conservatives voting on straight party lines and the Progressives dividing their votes. The debate, although it yielded no immediate fruits, was much more creditable to Parliament than any other recent discussion of the Imperial problem, and there were discernible in it signs of a growing recognition that certain realities must sooner or later be faced and dealt with. Before the end of the present year a conference is to take place between the Federal and provincial Governments, and Mr. King, in one of his speeches, indicated that it would be encouraged to make at least a cursory exploration of the constitutional question and discuss the possibility of removing certain anomalies. The constitutional report of the Inter-Imperial Relations Committee gave a gratifying stimulus to private discussion of the problem of Canada's external relations and the debate in Parliament has served to bring into high relief some of the

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major difficulties which must be overcome before a permanent and satisfactory solution can be reached.

### III. QUESTIONS WITH THE UNITED STATES

THE session closed amid a crop of rumours that the King Government is deep in negotiations with the Coolidge Administration for a comprehensive agreement covering transportation and tariff issues. A well-informed correspondent recently sent out a despatch to the *New York Sun* from Washington, in which he not merely outlined the general tenor of the negotiations but quoted specific articles of the pact which is in contemplation. The King Government has given a formal denial to the accuracy of the contents of this despatch, but an impression prevails that something is in the wind. On the American side the moving spirit in this reciprocity enterprise is said to be Mr. Herbert Hoover, who has set his heart upon the completion of the project known as the St. Lawrence Deep Waterway. Not only does he regard it as certain to bring great economic benefits to the middle-western States, but he sees in it a useful instrument for the placation of the farmers of that region who are in a state of bitter indignation over the defeat of the McNary-Haugen farm relief Bill\* and are threatening a dangerous political insurgency; the waterway would offer them a promise of lower freight rates for their exportable surplus and would be a valuable counter in the election of 1928.

But Mr. Hoover clearly cannot get his waterway without the co-operation of Mr. Mackenzie King, and Mr. King on his part is anxious to get the American tariff on fish and forest products either abolished or substantially lowered as a further sop to the maritime provinces. Mr. King would naturally also like free grain and cattle for the benefit of the farmers of the Canadian West,

\* See "The President and His Party," p. 514 *et seq.* of this issue.

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but the Coolidge administration would be afraid that such concessions would simply increase the fury of their own western farmers and render them deaf even to a blandishment like the waterway. However, there is obviously material available for a mutual bargain between the two countries and, while it is improbable that any definite negotiations have been undertaken, there seems reasonably good evidence that pourparlers have been initiated and that the ground is being carefully explored. Before Mr. King commits himself to any definite terms he must make certain that he can overcome what has hitherto been the resolute antagonism of his French-Canadian followers to the waterway project, and on the surface little abatement of it is visible. If, however, he can secure their concurrence, he has a very strong bargaining counter in his possession and, if the Coolidge Government does not encounter difficulties with the fishermen of New England and other elements, negotiations may go ahead rapidly as soon as Mr. Phillips, the new American Minister, takes up his duties at Ottawa next month. It is also rumoured that Mr. Mackenzie King, whose health has not been first-rate, intends to take a long holiday immediately and to spend part of it in Washington as the guest of his Minister, Mr. Massey. In that event his comings and goings in the American capital will be carefully scrutinised by his countrymen, for reciprocity arrangements with the United States have never failed to provoke major controversies in Canadian politics.

Canada. April 28, 1927.

## AUSTRALIA

### I. THE IMPERIAL CONFERENCE

THE Prime Minister and Mr. Latham, the Attorney-General, have now returned to Australia and from them we shall learn by word of mouth of what we have fitfully read in the cables that have reached us as to the Imperial Conference and the Assembly of the League of Nations. Mr. Latham was our principal delegate at Geneva, and, through the serious illness of Sir Neville Howse, Mr. Bruce's colleague at the Conference, had to take part in the Conference.

Interest should naturally centre on the determinations of the Conference on inter-Imperial relations. But while a summary of the more general and resonant parts of the report of the Committee held the leading place on the cable page of our newspapers on the day it was issued in England, not more than one paper in Australia—the *Hobart Mercury*—seems to have thought it had enough "news value," to warrant the publication of the text in full when it was supplied by the Commonwealth Government a few days later, though some of them proceeded to give a revised and brief summary, usually not in any very prominent part of the paper. The reason for this attitude to a report which evoked so much interest in other British Dominions and in foreign countries is apparent when we turn to the comments in the press.

There is no sign of enthusiasm on the one hand or of dismay on the other, and the secondary importance attached

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to the Report is best evidenced by a disposition on the part of various sections of the press to use it as a source from which to draw some lesson favourable to their own economic faith. Thus the Melbourne *Argus*, referring to equality of status, and having reasonably enough called attention to the inequality of responsibility in defence, proceeds to the familiar theme of lowering trade barriers, as a means of redressing such inequality, proclaims the advent of a new system of economics, which the British Empire has a unique opportunity to put to the test within its own confines, and thereby show an example to other nations, "an opportunity which points a sure path to Imperial unity and Imperial safety." The Melbourne *Age* sees that Great Britain, standing up splendidly to her task, both during and since the war, has found that her fiscal system leaves her unequal to the burden in view of the protective systems of other countries, who are crippling her internal and external trade. The result is that in England farmers and industrialists alike are beginning to see the light, and to realise that their future lies in a development of Empire trade. But the home lesson is not overlooked; the Australian farmer, whose adhesion to the "settled policy of the country" is not beyond suspicion, may sit up and take notice that the citadels of free trade are being forced even in England itself. The Labour press has no use for Imperial Conferences of capitalistic Ministers; deprecates interest in schemes for bursting up the Empire to build up a number of separate bourgeois States which divert attention from the supreme task of overthrowing the system which creates and maintains Empires. "The most noticeable thing about the Imperial Conference," says the *Labour Daily* (Sydney), "from a working class standpoint is that it apparently did not concern itself about the welfare of the great bodies of industrious workpeople without whom Britain as well as the so-called Dominions would be but empty wastes." But the same paper is willing to admit that there is something to be said for a

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"League of English-speaking nations," provided no attempt is made to make helots of Colonials or to use the Dominions as cannon fodder." A more serious note is struck by the influential *Australian Worker* (Sydney) when it takes Mr. Bruce to task for his assumption that no Dominion could think of standing out if Great Britain were at war; the Dominions would think and act for themselves, and the fact that a statesman's folly might leave Britain isolated and practically condemned by the free British States, should be emphasised as one of the forces useful in maintaining peace.

"I'm afraid I can't understand it," said Alice. "It's easier if you sing it," replied the Mad Hatter. "It can be made to go like this:

*We are one and many—  
We are tied and free—  
Each is as good as any  
And we'll never disagree."*

Thus the *Sydney Bulletin*, which likens the Report to the Oracle of Delphi and the Revelation of St. John, offering something to every one. The summing up of the position is:

Peace time decisions which amount to the members of a group of nations saying they will co-operate as long as they feel like it, and even so will never imperil the common cause, won't worry anyone very much. The essential thing about an Empire that differentiates it from coteries of separate nations bound together by treaties is that it has a nominal head at all times, and submits to actual central control if attacked. Once that tradition is laid aside, there is not any Empire left. If that fact were realised there would be fewer Imperial Conferences, and less pompous windy talk about Imperial relations. An Empire in the last resort is a collection of populations that feel they are likely to hang singly unless they hang together. To discuss the terms in which such populations will hang together is almost a waste of time.

It must not be inferred from the above extracts that the Australian attitude towards Imperial relations is either



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frivolous or indifferent. It is not interested in the dogmatic assertions of equality of status, for it has not been conscious of any inequality, and considered that Australia was perfectly secure in whatever status it wanted. Still, if an assertion which has seemed quite unnecessary to us has seemed necessary to others, we see no reason to dissent. We know that where a sense of grievance exists, it has a strong expulsive power; men talk as if it were the only thing that mattered. If Canada and South Africa were really concerned about equality, we can understand why they were clamant on the subject. It is right that they should be satisfied, and it is the business of the Conference not merely to concert particular measures of co-operation, but to create the spirit out of which the will to co-operate springs, as Sir Tej Saprú pointed out in 1923. We are thinking more about unity than equality. But we are not more disposed than other Dominions are to engage in any constructive scheme for a common authority, and so we are content with an enunciation of principles, and to affirm that our acceptance of equality does not now mean, and never has meant, the sacrifice of unity. The insistence in the Conference Report on equality, and the knowledge of some of the constructions that may be put upon it, lead to a strong emphasis of Australian opinion on unity. No doubt the two things—*unity* and *equality*—are incompatible, if either is pushed to an extreme. But a system of politics is not a system of logic, and constitutionalists can point to a number of things in our system which are equally inconsistent with each other, if men are unreasonable or determined that they shall not work. Though ourselves living under a rigid constitution, we are not anxious to have our politics too rigidly defined by rule; let us, then, have flexibility and trust to goodwill and good-sense, without which no system, however carefully conceived, will avail us. The principles themselves are not new; construed reasonably they express precisely what we have understood our Imperial relations to be. Their re-statement with the

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solemnity and authority of an Imperial Conference can do no harm, and in so far as it promotes goodwill and good understanding it does good.

It was significant that when correspondents in the Dominions at the end of November and the beginning of December were raking the newspapers to furnish readers of the London press with views and interpretations, and were gleaning a rich harvest from Canada, South Africa and the Irish Free State, Australian correspondents, surely not less alert, were silent.

Whether all this complacency is justified is another matter. The sharpness and precision of the declarations of equality and the right of separate action or inaction stand out in sharp contrast with the vague and rather rhetorical statements on the "positive" side. Others than foreigners may interpret the declarations of constitutional right in a sense which, making mutual interference impossible, also negatives any duty of co-operation. We have all been aware that co-operation was voluntary; but we have been aware also of the instinctive force of the notion of unity. The psychological explanation of such declarations of right as are made by the Conference may well be some inhibition of the instinctive response to the call of Empire and the recognition of its responsibilities; and this may be so in Great Britain as well as in the Dominions. We miss in the Report anything corresponding with the conviction expressed by the Conference in 1921 that "the whole weight of the Empire should be concentrated behind a united understanding and common action in foreign affairs." The machinery regarding consultation is more effective to prevent misunderstanding than to provide the means of co-operation. In fact, some European opinion considers that the chief result of the Conference is to free British diplomacy from the cumbersome and dilatory methods involved in consulting distant Dominions. For Australia and New Zealand, where the sense of unity of the Empire is still strong, it would be a shock to learn that

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British responsibility was attenuated. One expression of the sense of unity was our unquestioning reliance on the British navy as a right which we shared equally with the people of Great Britain. If declarations of constitutional right mean anything for Great Britain and not for the Dominions only, we must be prepared in the future to receive that aid in terms of an alliance. At the present time defence is a subject off the political picture in Australia, but the Prime Minister in his speeches has endeavoured to draw attention to the increased responsibilities which now must be on a Dominion Government.

The Australian interest in the business side of things—the “practical”—and their impatience of “theories” (and quite a good deal of impatience has been expressed at the time given by the Conference to Imperial relations) is partly an intensified British trait. But it has a further significance in respect of Empire relations. The notion is growing—and it appears to be the working faith of the several Governments—that the future of the Empire lies not in high politics, or foreign relations, or defence, or what will be their position in war, but in a vigorous economic co-operation. The better distribution of population within the Empire as a means of improving the standard of living in the congested parts without impairing the standards of the Dominions is a task which presents countless problems for both Britain and the Dominions.

The plea of the need for the development of your resources as an excuse for not undertaking your own defence is a mean one and has sometimes been meanly used. But it is none the less true that defence must be based on population, and that population can be attracted to Australia only by conditions which give people the prospect of a good living. There may be many different views as to the attainment of this end, but the co-operation of all classes in all the countries concerned, a close investigation of the problems, physical and economic, by fit persons in a scientific spirit, and highly trained executives are among the

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undisputed means. Out of such co-operation come not merely material results, but a better mutual knowledge, and the habit and the will to co-operate.

Sometimes a contrast is made between the British Empire, as a league for defence with its eye on power and the conflicting interests and relations of nations, and the League of Nations, as an organisation promoting peace and goodwill by co-operation of the nations in the service of mankind. The summary of the proceedings of the Imperial Conference demonstrates the extent to which the Empire is becoming a co-operative Commonwealth. Some years ago the publication of one or two works dealing with the network of international co-operative organisations made a profound impression, and threw a new light on the nature of international society itself. It would be a real service, not to the British Empire alone, if a systematic account of the co-operative organisation within the Empire were made available.

### II. TASMANIA AND THE COMMONWEALTH

TASMANIA is slightly smaller than Scotland, and about half of its area is rugged and bleak. The western portion is for the most part over 2,000 feet high, and there is another smaller plateau in the north-east. Between the two lies the region best suited for settlement in the Tamar basin and the adjacent north coast. Another narrow plain lies along the Derwent river in the south-east. Most of Tasmania has a more uniform rainfall than Victoria, but the lack of large areas suitable either for grazing or agriculture makes it proportionately less valuable than that State.

Nevertheless, the island had quite early, and not without reason, a good name for natural resources in comparison with the Australian mainland. It was developed early—partly because no land was very far distant from the sea

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or some sufficiently navigable river—partly because climatic similarity made the farming problems familiar to English settlers—partly because its agricultural and pastoral possibilities were more suited to the small scale activities of pioneers than to the large scale operations now necessary to compete in a world market. So by 1860 these resources had been fairly well explored. Tasmanian production was high ; but there were no new discoveries of importance to be made—such as that which is even now transforming Western Australia from a declining gold-producer to a thriving wheat-grower.

Three movements since 1860 have checked the tendency to agricultural stagnation due to increased mainland competition—the opening up of the potato lands of the north-west, the expansion of the apple export trade in the south, and more recently the swing of the north-west towards dairying. These movements, however, were not enough in themselves to provide for a rapid natural increase of population. Mineral developments took up the running from 1877, and successive discoveries on the whole gave fair scope to the growing population up to 1907, when mining production reached its maximum.

Meanwhile, however, following the mainland's example, large sums of loan money had been expended on railways and roads to overcome the difficulties of communication. The physical conditions of the country made these works very expensive in relation to the amount of produce to be moved. The railways did not pay interest, the roads by their nature could not, and there was little response in the way of new settlement or production. But a steady expenditure of loan money kept up the illusion of moderate prosperity.

By 1910 the net burden of interest had grown to alarming proportions, mineral output was declining, and hydro-electricity was the only new productive activity to loom in a somewhat dim horizon. To stop borrowing under these circumstances was the first condition of regaining health, a

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medicine as necessary and as painful as the cessation of monetary inflation can be. The European war, however, gave an excuse for postponing the evil day; and in the post-war boom the necessity was almost forgotten. Large private capital expenditure on construction for manufactures, together with continual public loan expenditure, masked the gravity of the situation for another year or two. By 1924 the position was very much worse than when the war had intervened ten years before. The increase in the deadweight debt and the new burdens and responsibilities due to the war fell in Tasmania with special severity.

There has, moreover, been a loss of population. Before 1900, ebb and flow were roughly equal, and in general the island absorbed her own natural increase. From 1900 until 1920 about half the natural increase overflowed to other States attracted by their growing manufactures. For the last three years the whole of the still great natural increase has been lost to other States, and in addition there has been an actual loss of population, largely male and young, of 5,000 in the three years, or one-fortieth of the total population.

In another way the position can be appreciated with equal certainty. For the last ten years the capacity to pay Federal income tax per head has been in Tasmania 40 per cent. below the general Australian average, and no other State has for that period deviated from the mean by as much as 10 per cent.

What has this condition to do with the Commonwealth, and how far can it be said to be due to the effects of federation? The question is a vexed one. Mainlanders, applying the characteristic assumption of rich natural resources, are apt to see in the relatively slow progress of Tasmania nothing but evidence of neglect and lack of enterprise. The facts are indeed complex. There was never any doubt about the entry into federation, nor is there much doubt that a popular vote would endorse that entry now. The chief economic reason favouring federation



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was the advantage of free markets for farm produce. This produce, however, tends to exhaust the soil, and to meet with increasing competition. The adaptation to inter-State free trade has had adverse effects upon the older manufacturing industries, and the attempted transition to manufactures for the protected Australian market has not yet been rewarded with sufficient success.

The national policy of protection, in so far as it has imposed costs upon unprotected industries, has been the chief cause for complaint. It hits the island both through the tariff and the Navigation Act. Tasmania has the smallest proportion of manufacturing industry and of protected production of any State. The burden of cost imposed by the ever increasing tariff restricts the profitable exploitation of lower grade mineral ores and of marginal agricultural land intensifying the depression arising from internal causes. In a still more marked degree is Tasmania handicapped by the Navigation Act and the increase in freights which has accompanied its operation. Inter-State freights have increased five times as much as overseas freights since pre-war days, and the relative effect may be gathered from the fact that Tasmania has, in tons and per head of population, two and a half times as much inter-State trade as the average for Australia, while its trade has a still higher proportion of value and therefore of freightage. Although permission has recently been granted to them, the overseas "apple ships" no longer cater for the important tourist traffic, and the services are severely rationed by a shipping organisation whose elimination of competition is at least assisted by the Act.

Unlike Western Australia, Tasmania has put forward no proposals for special treatment other than financial assistance, and while it has urged its claims for substantial compensation, the basis of its case has been desperate financial need. The State has been receiving special grants from the Commonwealth since 1913. Originally £90,000 a year was provided for ten years, partly to recom-



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pense the State for certain "customs leakages" during the "book-keeping period," 1901-10. Before the ten years expired the post-war depression had set in, and the grant was continued. Eventually it was provided for on a diminishing scale to cease altogether in 1928-29. The State increased its taxation in 1923-24, and in the following year the Commonwealth abandoned a field of taxation derived from a lottery conducted in Tasmania, which allowed the State to collect £110,000 per year additional revenue. Nevertheless, the position did not improve enough to do more than arrest a rapidly accumulating revenue deficit; and the economic position grew worse.

At this stage, in 1925, the State Premier appealed to the Commonwealth Government to allow the Royal Commission which was enquiring into the position of Western Australia to extend its operations to Tasmania, and he appointed a special committee to examine the question of Tasmania's disabilities. This committee presented a careful and reasoned report, and came to the conclusion that Federal policy was sufficiently responsible to justify a substantial claim for assistance. It recommended the use of per capita payments, discriminating in favour of the less prosperous States, and derived from the Federal income tax, which naturally collected proportionately larger sums from the more prosperous. By this method it was suggested that the unequal effects of Federal policy might receive some degree of automatic adjustment. The report of this committee was widely distributed, and although the Federal Government refused to make use of the Royal Commissioners, in January 1926 it appointed Sir Nicholas Lockyer to undertake an investigation on its behalf. An official "Case for Tasmania" was presented to him, and his report was published in April.

The "case" disclosed an alarming financial position. By bringing together all liabilities, including losses on soldier settlement, deferred charges, and sinking fund

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provision, and by claiming sufficient to allow of a reduction in taxation (which had become much the most severe in Australia) to its former level, a total of £545,000 a year was arrived at as the amount necessary to enable the State to recover. It was shown that the normal costs of government had been consistently the lowest of any of the States, and that the deficiencies were due entirely to the high cost per head of population of roads, railways and other "developmental utilities." These utilities, which on the mainland are paid for by services and land revenue, cost Tasmania £3 3s. per head of population; the loan expenditure on roads, per acre under crop, having reached £20 as compared with £3 on the mainland.

Sir N. Lockyer in his report expressed the view that Tasmanians were not sufficiently optimistic. He offered certain criticisms, agreed that there was something in "the unequal operation of Federal policy," but submitted that there was more in defective management, and recommended certain loans and subsidies under Commonwealth control, and a special grant of £300,000 a year for ten years, conditionally on a reduction of taxation approximating to about one-third of that amount. The Federal Government announced its proposals in May. It repudiated Commonwealth responsibility, and also the imposition of conditions, adding, however, "it will depend upon events whether such control may become necessary in the interest of the general credit of Australia." It expressed the view that Tasmania's difficulties were due to causes that could be remedied by more scientific methods of production and by further expenditure on development. It proposed that the resources of the Development and Migration Commission and of the Bureau of Science and Industry should be made available for Tasmania, to build more roads, and to add to the present grant of £68,000 a sum sufficient to pay interest and sinking fund on the State railway debt. The expenditure on development is part of the general policy of the Commonwealth to assist the

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State with road construction, and the special grant, which will total about £378,000 a year, will be for two years only. This assistance is to be associated with the permanent withdrawal of the per capita payments from all the States, and at the end of the two-year period the position is to be reconsidered.

In consequence, the State has been enabled to reduce its taxation to about the level before 1923, and although its rates are still much higher than those of its neighbour Victoria, they are no longer a "keep off" signal to new enterprise. It is also tackling the varied and difficult problems of agriculture, and using every effort to attract manufacturing industry, for which its hydro-electric power and more manageable labour offer attractions. Tasmania needs exports in sufficient bulk to avoid the necessity for transshipment. The apple returns from Europe can scarcely fail to improve, and mineral production may revive at any time with better processes. While, therefore, the two-year period is rather short it gives a "breathing space" and an opportunity.

### III. POLITICAL CHRONICLE

THE Federal Parliament met early in March after a recess of some five months. During the greater part of that time Mr. Bruce and two other Ministers had been absent from Australia, and the duties of Prime Minister had been discharged by Dr. Earle Page, Federal Treasurer and leader of the Country party. Mr. Bruce's reception on his return showed that although there may have been different opinions as to the work of the Imperial Conference, he was generally acknowledged to have proved a dignified and accurate representative of the views of the Australian people. Probably the most important political event that happened in Australia during the recess was the return to the Federal Parliament of Mr. Theodore. Mr. Theodore

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was for some years Premier of Queensland and was in many quarters regarded as the ablest of the Labour leaders. At the last election, having retired from State politics, he contested a Federal seat, and his defeat by a then unknown Nationalist candidate was one of the most convincing proofs of the movement in favour of the Bruce-Page Government. Mr. Theodore's election was made possible by the retirement on account of ill-health of Mr. Mahony, the member for Dalley, a constituency comprising some of the industrial suburbs of Sydney. The election was vigorously contested and Mr. Theodore was returned by a majority of 8,000 votes, some 2,000 less than the majority gained by his predecessor in 1925. It had been suggested that Mr. Theodore's election would be followed by the retirement of Mr. Charlton, the Opposition leader, who was said to be in the same precarious state of health as Mr. Mahony. Mr. Charlton, however, has declared that he was never better, and since Parliament met he has been re-elected leader, with Mr. Scullin, a Victorian member, as his deputy. It cannot be said that Mr. Theodore made any noticeable contribution to Labour policy in his election speeches. He argued that the Australian tariff is not sufficiently high, that Australia should keep herself free from Imperial entanglements, that the Bruce-Page Government had erred during the last Parliament by having the new cruisers built elsewhere than in Australia, and that in this Parliament it had done nothing. Possibly the outstanding feature of the election was the number of informal votes. Of these there were 2,500, a number which, since the method of voting was free from any complexity, must be taken to indicate that even under a compulsory system the electors may retain the privilege of refusing to support either candidate.

During the recess there was further discussion of the proposal of the Government to readjust the financial relations between the Commonwealth and the States by abandoning direct taxation in whole or in part, and dis-

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continuing the present arrangement under which each State receives from the Commonwealth 25s. per annum per head of its population.\* No agreement, however, was reached. The State Premiers continued to insist on the moral right of the States to a share in customs revenue, and Dr. Page to declare that the present system must be abandoned without delay. Mr. Bruce on his return offered to appoint a Royal Commission to consider how the new system could be introduced with least inconvenience, but as he supported Dr. Page in principle the offer was not accepted. In Parliament the attitude of the States was supported by the Opposition, and by no less than twelve of the Government's supporters, including Mr. Hughes and Mr. Watt. The arguments used were for the most part the same as had been previously unsuccessfully advanced by the State Premiers, that, morally though not in law, the present arrangement is founded on a treaty between States and Commonwealth which should not be altered without the consent of both parties, that the Governments which were responsible for development should have a share in customs revenue, and that the new arrangement will not be permanent since customs revenue may decline and any Government may reimpose direct taxation. The dissenting Nationalists also claimed that Government supporters were not prepared to trust the readjustment of taxes to the States of which five out of six were controlled by Labour Ministries. The Bill has passed both Houses in spite of protests from Ministerialists. Possibly it may not come into force at once for the Government has promised consideration to an alternative plan which has been favoured by some of its own supporters and by some of the Chambers of Commerce. Briefly, under this scheme, while making smaller reductions in its own direct taxation, the Commonwealth would take over a portion of the debts of each State so that it would pay in interest what it had formerly paid in subsidy, that the

\* See THE ROUND TABLE, No. 65, December 1926, pp. 177-179.

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States would establish sinking funds for the redemption of all new debts, and the Commonwealth a sinking fund for the debts taken over. The alternative would obviously take some time to work out, and would therefore provide the breathing space required. The Government has proposed the appointment of a Commission representative of all three parties which after a year's enquiry is to bring up a report on constitutional revision for consideration by Parliament and possibly by the electors. One of the elements in the constitution in the conditions of which there have been many marked changes since the Commonwealth was inaugurated is the financial relations of the States and Commonwealth, and it is certain that the Commission will have to consider a scheme for defining the areas of taxation and for giving greater powers to the Loan Council with which at present New South Wales refuses to act.

Of the State Parliaments, three, those of Victoria, South Australia and Western Australia, are on the eve of a general election. The most active and the most contentious has as usual been the Parliament of New South Wales. Shortly before Christmas three members of the Government party, provoked by domestic quarrels and by an unsatisfactory budget, revolted and declared their intention of forming a Country Labour party. As their number was sufficient to destroy his majority, the Premier promised to withdraw his budget and to prepare for a general election within approximately three months. On this condition he was granted supply, but before his preparations had begun, two of the three seceders returned, the budget was restored and a general election declared to be unnecessary. In the session which followed the two most important measures have been a Bill intended to break up large estates and a child endowment Bill. By the large estates Bill it is proposed to place a tax on all estates the unimproved value of which is in excess of £10,000, unless the owner can obtain a certificate from an advisory board that his land is



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unsuitable for agriculture, or unless satisfactory efforts have been made to bring about a subdivision. The advisory board has a wide discretion and is directed to exempt those estates which are being used for the production of stud sheep. The tax is not heavy and the authors of the Bill have evidently borne in mind the necessity for maintaining the high standard of Australian wool, but the most serious question raised by well-informed critics has been whether by endeavouring to encourage the growth of wheat at the expense of wool the Government does not run a serious risk of diminishing the national income. Sheep farming, though it involves less labour than agriculture, is at present carried on to a great extent on small areas, and it is thought that the Government are mistaken in attempting to increase the area under wheat in the case of which the production fluctuates and the demand is uncertain, at the expense of wool which is apparently certain of a constant market at a satisfactory price. The child endowment Bill after a stormy passage ended in a compromise. The Bill was introduced after a declaration by the Industrial Commissioner of a basic wage of £4 4s. per week. The basic wage in New South Wales is the least wage which can be paid to any employee over 21, with a few exceptions, but has been fixed as adequate to the needs of a man, his wife, and two children. In fixing the wage for 1927 the Commissioner stated that he did not consider £4 4s. per week adequate for a family of more than one child, but instead of increasing it, urged the Government to introduce a scheme of family endowment and so benefit larger families. The scheme introduced by the Government after much discussion with its supporters, provided for a payment of 5s. per child per week to the mother of every child in the State whose husband's income was less than £364 per annum; the cost, estimated to be eight millions, to be raised as to six millions by a tax of 6½ per cent. on the wages bills of all employers and by a payment of two millions from consolidated revenue. The scheme was open to several objections, of



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which the chief were that it imposed burdens on industries, particularly on those whose wages bill amounted to a high proportion of the total earnings, which would make it impossible for them to meet the competition of other States, that it would seriously increase the cost of living, that any scheme of child endowment should apply to Australia as a whole, and that this scheme was unnecessarily costly, since the bachelor and the childless husband would still have more than sufficient for their needs, and the family with one child more than it was entitled to. The Bill passed the House of Assembly in its original form, but in the Legislative Council it was drastically amended and after many protests has become law in its amended form. The child endowment scheme will now come into force in conjunction with the declaration of a new basic wage. The Commissioner must, before September 30, declare a basic wage for a man and wife without children. The endowment of 5s. per week per child will be additional to the weekly sum then declared, but will not be paid to anyone whose income would exceed the aggregate of the new basic wage and 5s. per week per child. The cost of the scheme to employers and the State, which is a very large employer, is thus greatly reduced and the scheme becomes an endowment in aid of necessitous cases, necessity being judged by the standard of the Industrial Commissioner. The New South Wales scheme, however, may be of only temporary application. Mr. Bruce, being of opinion that the Federal Parliament has no power to legislate for child endowment, and that any scheme should apply to the whole of Australia, has summoned a conference of State Premiers for June next for the purpose of considering a uniform scheme to be submitted to their respective Parliaments in the unlikely event of the Premiers agreeing.

Australia. March 30, 1927.

*[We understand that the reduced cost of the child endowment scheme is now to be met by a tax of 3 per cent., instead of 6½ per cent., on the wages bill of employers, both private and State.—EDITOR.]*

## SOUTH AFRICA

### I. THE INDIAN AGREEMENT

WHATEVER difficulties the future may have in store for us in the adjustment of relations between the European and the Indian inhabitants of the Union, there can be no doubt as to the successful result of the Conference which sat in Cape Town at the close of last year, in which the Union Government met the deputation sent over by the Indian Government to discuss the questions arising out of the introduction by the Government of the Areas Reservation Bill.\* The Conference was successful not only because an agreement was arrived at. It had effects extending beyond its immediate practical results, effects which will have a permanent influence on the outlook of the South African Government and people as regards India and as regards the Indian people who are settled here. The members of the Indian deputation, both European and Indian, made a most favourable impression on those who came in contact with them, and that in itself meant much in a country such as this, where colour prejudice is strong, and where the ordinary man's opinion about Indians is based on what he sees or hears of the lowest type of that people which has found its way into South Africa.

The Conference was an experiment in inter-Dominion relations, and it has set a precedent for the future. The agreement which was reached, though it actually leaves untouched most of the points of friction between the two

\* THE ROUND TABLE, Nos. 46, March 1922, and 63, June 1926.

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communities, has established a new plane of vision for the various problems which have arisen and will arise. It contains a recognition by the South African Government of the rights of those Indians who may be permanently settled in this country to take their place as members of a civilised community, and a promise that the necessary educational facilities will be provided to enable them to do so. Herein lies the real importance of the agreement. It may be hard to reconcile this pronouncement with the past attitude of members and supporters of the present Government, but it will be equally hard for this or future Governments to go back upon it. It is a step forward from the attitude of mere race and colour prejudice to a frank recognition of human needs and aspirations.

The Conference sat from December 17 to January 11, and on February 21, when both Governments had had time to consider, and had ratified, the conclusions arrived at, an official statement was made by the Minister of the Interior in the House of Assembly. Although it is natural to speak of the result of the Conference as an agreement, there was, in fact, no formal contract or treaty. The only published record is the identical statement made in the House of Assembly here and in the Legislative Assembly in India and a mutually approved summary of conclusions laid on the table in both legislatures. A formal agreement or treaty would have required ratification by Parliament, and that the Government evidently thought it well, in the present state of feeling, to avoid. When the Minister of the Interior made his statement the Prime Minister promised, on the request of the leader of the Opposition, that an opportunity would be given for discussing it. As, however, the Government did not think it necessary to ask Parliament for its approval, and as the Opposition evidently was not prepared to move Parliament to disapprove, no further reference to it was made until, on the second reading of a Part Appropriation Bill certain members—mostly from Natal—expressed their disappointment with

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the Government's action. The Opposition, however, declined to make it a party question, and the discussion ended without a division.

The "conclusions" reached by the two parties to the Conference fall into two classes, according as they contemplate immediate action by one side or the other, or are general statements of the attitude to be adopted by the Governments in regard to certain aspects of the situation as it now exists.

The first class amounts in substance to this, that the South African Government withdraws its Areas Reservation Bill, while the Government of India undertakes to do its part in a scheme of assisted emigration of Indians from South Africa back to India. The hope of the Union Government evidently is that, with additional encouragement in the form of money grants at this end, and with the active co-operation at the other end of the Indian Government in the reception and employment of emigrants, considerable numbers of Indians may be induced to go back to India, and thereby the fears may be allayed of those South Africans who regard the presence of the Indian as a menace to European civilisation. The South African Government holds itself quite free, if its hopes in this respect are not realised, to revert to its previous policy, or to introduce such legislation as it may think necessary. The money grant payable to Indians leaving the Union is to be £20 for every person over 16 and £10 for children under that age, and decrepit adults unable to earn a living through physical disability may also receive a pension. Certain minor alterations of the Immigrants Regulation Act of 1913 are also to be made.

The second class of "conclusions" are those which are declaratory of the general policy and intentions of the Governments. The Indian Government affirms its recognition of the right of the Union Government to use all just and legitimate means for the maintenance of Western standards of life. The Union Government recognises that

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Indians domiciled in the Union who are prepared to conform to Western standards of life should be enabled to do so. The Union Government declares its firm belief in, and adherence to, the principle

that it is the duty of every civilised Government to devise ways and means and to take all possible steps for the uplifting of every section of their permanent population to the full extent of their capacity and opportunities, and accept the view that in the provision of educational and other facilities the considerable number of Indians who will remain part of the permanent population should not be allowed to lag behind other sections of the people.

In pursuance of this principle the Union Government declares its willingness, so far as public opinion may allow, and in so far as it can influence matters which by the constitution are entrusted to provincial councils, to advise the appointment of a commission by the provincial administration in Natal to inquire into "the admittedly grave situation in respect of Indian education in Natal," and to obtain the assistance of an educational expert from the Government of India. It is also willing to consider sympathetically the question of improving facilities for higher education for Indians, and to investigate the sanitary and housing conditions in and around Durban, including the question of the appointment of advisory committees of representative Indians, and the limitation of the powers of municipalities to sell municipal lands subject to a restriction against purchase by Indians.

Further, the Union Government states that

the principle underlying the Industrial Conciliation Act of 1924 and the Wage Act of 1925, which enables all employees, including Indians, to take their places on the basis of equal pay for equal work will be adhered to.

This statement is generally taken to mean (and presumably does mean) that the recent so-called Colour Bar Act, which empowers the Government to debar by regulation Indians and natives from certain classes of occupation, will in practice not be applied to Indians.

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Finally, in regard to trading licences, the Union Government states that, when the time arrives for the revision of existing licensing laws, it will give all due consideration to the question of reasonably limiting the discretionary powers of local authorities in the following ways :—

1. That the grounds on which a licence may be refused should be laid down by statute.
2. That the reasons for which a licence is refused should be recorded.
3. That there should be a right of appeal in cases of first applications and transfers, as well as in cases of renewals, to the Courts or to some other impartial tribunal.

It must be frankly admitted that the policy indicated by these statements of the Union Government, and particularly that in relation to the granting of trading licences, is considerably more liberal than any which would be likely to be adopted by a majority of the members of the present Parliament, if they were free to vote without regard to party ties, or by a majority of the voters of the Union, if they had an opportunity of registering their opinions. For that reason the statements are purposely non-committal as regards immediate action. But what is important is that they set up a standard for dealing with Indian problems more liberal and sane than has ever been openly adopted in South Africa outside the Cape Colony, and that they have been proclaimed by a Government representing the political party which, in the past, has been the strongest advocate of drastic and repressive measures against the Indian inhabitants of the Union. That fact will of itself give them an influence in moulding public opinion which they would not otherwise have had. Moreover, the Union Government requested the Government of India to appoint an agent in the Union "in order to secure continuous and effective co-operation between the two Governments." If, as is now reported, Mr. Srinivasa Sastri has accepted the appointment, that will in itself be a security that the new policy for which the Union Government has declared will

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not be allowed to fade into oblivion, and that the broad and statesmanlike spirit which inspired the Conference will be kept alive.

### II. THE SOUTHERN RHODESIA LAND COMMISSION

“GOD,” we are told, “made the land for the people,” and the question which inevitably arises wherever civilised men come in contact with tribal natives is “Which people?” It is a question which has long been clamouring for an answer in the Union of South Africa; it is one which is becoming insistent throughout all south-eastern and east-central Africa. The conditions which face men in all that vast area “from Lion’s Head to the Line” are essentially the same. Right through, from Cape Town to Kenya, the lands, temperate either by reason of their latitude or their height above sea level, have been or are still being occupied by Europeans in greater or smaller numbers.\* These men come, not as adventurers anxious to make a fortune and be gone, but as heads of families determined to live and die in the land of their adoption. They find themselves among Bantu tribesmen and they look to them for labour; but where the tribes have land of their own, the tribesmen are under no overriding necessity to work for them.

Faced with this secular conflict of interests, men of the two races, white and black, are now seeking a *modus vivendi* whereunder the European, with his superior skill and resources, may develop the territory in the interests of himself and the world, and the Bantu may be saved from abrupt detribalisation and the fate of the *déraciné*. Both races must live in the same country and there is room for both; but the traditions and manner of life of the two are so different that the one finds the other an uneasy neighbour.

\* See “The New Problem of Africa” on p. 447 of this issue.



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On no point are the ideas of the two races more antagonistic than on this vital matter of land-holding. In European eyes, land is to be owned outright subject only to such claims to the minerals as a watchful government may have reserved to itself in advance. Such absolute ownership of a given area of the earth's superficies is foreign to the uninstructed Bantu mind. His own chief does not own the tribal lands, whose very boundaries are usually delightfully vague; it is questionable whether the tribe itself owns the land in our sense. The land is there and it is valued by reason of what grows or moves upon its surface. The member of the tribe is entitled to his share of the grass, water, and game upon that land simply because he is a member of that tribe. For the rest, he may be given a piece of ploughland, or rather hoeland, by the chief, and, unless the chief takes it away again, he and his descendants can hold that land against all comers. Communal grazing and the user of garden land are the twin bases of the Bantu system of land-holding.

The impact of Western civilisation upon such a system has naturally led to strife and confusion. Europeans have entered the northern reaches of the highlands directly from the East coast, but the older and broader stream of immigration has flowed from the South northward. The story of that migration runs through nearly three centuries, and its main features have been the same in each generation. So long as the trekking Boers, the pioneers of Western civilisation, had only Bushman hunters or Hottentot pastoralists to deal with, the problem of land-holding hardly arose. But towards the close of the eighteenth century they found themselves face to face with the Bantu who were trekking in the opposite direction. These Bantu were agriculturalists like themselves, after a fashion; like them, they reckoned their wealth in cattle and, like them again, they were eager for land. Hence followed a century of strife along the eastern frontier of the old Cape Colony. It was then that the South African frontiersman's

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point of view was developed to its full force. That point of view was natural, all too natural. The colonists, Afrikaner and presently British also, felt in their bones that they were men of a superior race ; they had firearms ; they believed that they could make better use of the land than did the natives ; to crown all, the tribes held much of the best land in those parts. At the end of the hundred years the frontier of Kaffirland had been pushed back to the Kei river.

Meanwhile the frontiersmen *par excellence*, the Eastern Province Boers, had trekked away north-eastward beyond the Orange, beyond the Vaal, beyond the Drakensberg mountains into Natal. At first they occupied great spaces more or less denuded of inhabitants who had either fled from or fallen under the broad stabbing assegais of the Zulus and Matabele. But as the need for more land arose they took what they required ; for according to their simple philosophy, the philosophy of all frontiersmen, the land was for the people, and they were the People. As for the natives, land too, so long as that was convenient, but in any case, labour when called upon by their patriarchal rulers. *Vide* the Book of Joshua *passim*.

The root of the trouble in the lands between the Orange and Limpopo rivers was that there was for too long no power which was willing or able to make a just division of the land between the two races, still less to make provision for future needs. The British Government in the early 'fifties, had indeed made a half-hearted attempt to essay that task, but it had soon left the Republicans and the tribes to adjust their own differences. It did, however, act with more firmness in the coast colonies. Being less directly interested in land than the colonists, less "up against" the problem of cattle-stealing native neighbours than they, it was able to see certain aspects of the problem which were hidden from the "man on the spot." The Imperial authority set aside considerable native reserves in Natal, saved the bulk of the Transkeian territories and,

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extending its long arm once more across the Orange, preserved most of Basutoland to the Basuto. Later again, in the 'eighties, it discharged the same prudent function in Zululand and the Bechuanaland Protectorate. If the Union still has solid blocks of native territory on which to base even a modified system of segregation, it has, in great measure, to thank Downing Street.

Meanwhile, land-owning companies had begun to buy up great tracts of country and, like the individual settlers, to transform the native inhabitants into rent-paying squatters. And as the diamond and gold mines developed, natives became inured to urban conditions. It was out of this socially and economically confused South Africa, that the stream of white migration flowed north of the Limpopo into Southern Rhodesia. Rhodes's Pioneers occupied Mashonaland in 1890. They and the men who followed them took with them the usual frontiersman's philosophy and the promise that they were to be paid partly in land. But at first the British South Africa Company was in no position to pay them. Still less could the Company effect any division of land between white and black, for it owned no land and, strictly speaking, had no jurisdiction even over white men so long as King Lobengula ruled in Matabele-Mashonaland. After the Matabele War of 1893, however, the Chartered Company, as agent for the Crown, was in a position to attempt a settlement. It made it according to the frontier principles of the day. Deserted Mashonaland to the east, where there was little gold, many natives and, in those days, much fever, was left for further consideration; but in Matabeleland to the west, two unacceptable reserves were hastily marked out for the tribes and the most desirable land parcelled out among individual Europeans or development companies. Hence, as the Land Commission repeatedly notes, it is Matabeleland which presents the greatest difficulties to-day, for there white and black are mixed, Union fashion, much more inconveniently than elsewhere.

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After the Matabele and Mashona rebellions of 1896, the natural results of such a policy, the Southern Rhodesia Order-in-Council of 1898 laid down the general lines on which the Chartered Company was to rule. That Order specially safeguarded native interests. The Company was directed "from time to time to assign to the natives inhabiting Southern Rhodesia land sufficient for their occupation, whether as tribes or portions of tribes, and suitable for their agricultural and pastoral requirements," and the natives were given the right to "acquire, hold, encumber and dispose of land on the same conditions as a person who is not a native." Reserves were therefore marked out from time to time and, presently, a few natives acquired land on individual tenure outside them.

The next stage came in 1914. The Company having abandoned all hope of finding the great gold-mines on which its original plans had been based, proposed to farm on its own account and to press on with European land settlement in the unalienated lands which, at that time, it claimed as its commercial asset. The existing reserves had been roughly indicated without survey; some were full, others almost empty; there was no finality about the borders; in other words, the land was not really guaranteed to its occupants. Hence, at the request of the Company, the Crown appointed a Commission to define the borders of the reserves. The recommendations of that Commission were adopted and, by the Order-in-Council of 1920, the reserves were vested in the High Commissioner and set aside definitely for "the sole and exclusive use" of the natives of Southern Rhodesia. Meanwhile, the Judicial Committee of the Privy Council had decided that the unalienated lands were Crown Lands and, a little later, these lands and the control of all Southern Rhodesia passed to the self-governing Ministry which relieved the Chartered Company of its political functions.\*

The new constitution again safeguarded native interests

\* THE ROUND TABLE, Nos. 44, September 1921, and 45, December 1921.

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and, in especial, reaffirmed the relevant clauses of the Order-in-Council of 1920. But that was not enough. Rhodesians began to look ahead. They hoped for a steady influx of European settlers, and that influx was slowly taking place. The natives on the other hand were increasing in numbers, though whether they were increasing faster than the whites was a matter of doubt. Nevertheless, they were increasing and would continue to increase, and the time must come when the 40 acres per head allowed for each occupant of the reserves would be insufficient. Moreover, as in the Union, the natives were differentiating into classes; their interests were ceasing to be the same throughout. This fact is suggested by the distribution of the Bantu population :—

516,335 Natives dwelt in the Reserves and Locations.

150,650	”	”	”	European farms.
122,088	”	”	”	Crown lands.
24,874	”	”	”	Urban areas.

In addition, a few thousands lived on mission lands, while a few individuals occupied their own farms outside the reserves.\* Those reserves in 1925 comprised 21,600,000 acres, and Crown lands another 43,000,000. The question arose as to whether the disposal of those Crown Lands could be left to open competition. From the European side the answer was, with increasing emphasis, in the negative. Native farming is notoriously bad and though it is probably not quite so bad as some critics would maintain, a native neighbour tends to bring down the value of a European farm; his weedy fields spread their baneful influence far and wide; his scrub cattle, in an imperfectly fenced country, make scientific stock farming a matter of extreme difficulty. From the native point of view, there was also much to be said for controlled settlement. The higgling of the market did not give the black man a fair chance; Europeans, either as individuals or organised in

\* There are 39,186 Europeans and 944,822 Bantu in Southern Rhodesia.

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companies, had acquired 31,000,000 acres, whereas natives had only been able to purchase some 45,000 acres outside the reserves. What was true of the countryside was true also of the towns, as far as natives had entered them. The bulk of the farmers, urban dwellers, natives and, less certainly, the missionaries swung round in favour of some scheme of territorial and therefore cultural segregation.

This movement of opinion was stimulated by the segregation policy adopted by the Union Government in the Native Lands Act of 1913. Southern Rhodesia is at all times attentive to what happens south of the Limpopo, and it was certainly attentive to the growing unrest and confusion which arose, year by year, as the Union authorities more or less carried out that part of the Act which prevented natives from acquiring land and completely failed to carry out that portion which foreshadowed additional areas in which natives alone should have a free hand. Rhodesians, with pardonable satisfaction, thanked God that they were not as other men were, but they also realised that, unless they took action, their cause for satisfaction would be taken from them. They began to envisage a comprehensive scheme of segregation while yet there was time. A Land Commission was therefore appointed in 1925 to consider the setting aside of definite areas, outside the existing reserves, in which natives only might acquire interests in land and, hence, other areas in which Europeans only would have that privilege. Pending the report of the Commission, the disposal of Crown Lands was conducted in such a way that the recommendations of the Commission should not be jeopardised.

The Imperial Government appointed the chairman, Sir William Carter, the Rhodesian Government appointed the other two members, Sir Herbert Taylor, Chief Native Commissioner for many years past, and Mr. William Atherstone, Director of the Department of Lands. The commissioners travelled widely during the middle months of 1925, heard the evidence of 233 Europeans and of 1,753 natives, and con-



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cluded that segregation was feasible, that, though it could not be regarded as a settlement of the inter-racial question for all time, it might be "at a particular stage of the development of the human race . . . the arrangement which, on the whole, makes for harmony and peaceful progress," and finally that, if it were done, 'twere well it were done quickly.

On most points the commissioners are unanimous.\* They start with the twin propositions that if the natives are to give up their old right of buying land anywhere in Southern Rhodesia they must in common decency be given a real *quid pro quo*; and, secondly, that the fear that natives adequately supplied with land will necessarily cease to furnish hired labour is disproved by recent experience in East Africa and New Guinea and in Rhodesia itself, where the local labour supply has increased steadily during the past fourteen years.

The commissioners leave out of account some 18,000,000 acres of sandy or tsetse infested land which for the most part lies in the Zambesi valley or along the western frontier. They propose to divide the remaining 78,500,000 acres into three main zones. In the centre will be a more or less solid block for European occupation wherein natives will not be allowed to acquire land; on the outer edge of the territory will lie the reserves as at present, 21,600,000 acres in all; in between will lie a broken belt of nearly 7,000,000 acres set aside for native occupation. There is no question of providing land to meet the demands of all the tribal natives who may come into existence during the next generation. The vast mass of the natives are wedded to their communal land system; they know no other and are for the most part probably unaware that they can buy land outside on individual tenure. But there is a growing minority which feels itself cramped by tribal conservatism, and it is for perhaps 50,000 of these advanced and advancing natives that the commissioners desire to make provision.

\* Report of the Land Commission (C.S.R. 3—1926).



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Communal tenure is to be definitely barred out from the intermediate belt. That is to be reserved for natives who will, it is hoped, serve as a buffer between European civilisation and raw tribalism and, at the same time, furnish an example to their more backward brethren.

The conduct of this great experiment in segregation is to be entrusted to a Native Land Board presided over either by the Minister of Lands or the Chief Native Commissioner, and manned by representatives of various interests including, in the near future, one or two natives. The bulk of the land, 7,000,000 acres, with which this Board will be primarily concerned is to be called Native Purchase Areas. In nearly every case, these areas adjoin existing reserves and, indeed, the same is true of the other less important classes of land under consideration. The land therein is to be sold or, on occasion, leased to natives only at the rates customary among Europeans in the neighbourhood; but full title will not be granted till certain improvements have been effected and a reasonably substantial house built, and thereafter the powers of the native owner to transfer or encumber his property will be strictly limited on the lines of the famous Glen Grey Act.

The Purchase Areas will cover at least 6,852,000 acres. A further 80,000 acres are to be classed as Semi-Neutral Areas. These once more adjoin either reserves or Purchase Areas and, in them, European owners may sell either to Europeans or to natives; but once land has passed into native hands it is to become and remain Native Purchase land.

Two of the commissioners propose yet a third class of land, the Neutral Areas. These areas cover 1,100,000 acres. They are intended to meet the needs of central Matabeleland and the eastern border districts round Umtali and Melsetter. There, conditions approximate most closely to those in many parts of the Union. Europeans are scattered fairly thickly over them, but there are also numbers of natives living on the farms or Crown Land

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from which they are averse to moving. Moreover there are no adequate areas near at hand to which they can readily be moved. The proposal therefore is that Europeans and Bantu shall both be free to acquire land there, provided the land in question abuts on European or Bantu land respectively. There is to be no formation of black or white "islands," and in order to give the natives, the weaker party economically, a chance, certain Crown Lands are to be held up for native purchase for ten years to come. The third member, the Director of the Lands Department, dissents from a proposal which he believes will lead to friction and the depreciation of European property, and advocates rather a clean cut, even at the expense of enlarging the Purchase Areas. There is reason to believe that his opinions are shared by many Rhodesians.

European farms in Native Purchase Areas and native lands in European Areas are to be expropriated on liberal terms by the Land Board ; but the extent of land involved is at most 520,000 acres, and half of it belongs to companies which may well be content to take other land in exchange. The displacement of either Europeans or Bantu will not be great. There is, however, a serious displacement which must be faced. In many parts, as in the Union, there are natives squatting upon farms, company holdings or Crown Lands, and paying rent for the right to do so. The tenure is precarious ; in so far as the lands are owned by development companies, it stands in the way of proper settlement, for the company is often content to " Kaffir-farm," that is, to draw rents while waiting for a rise in the selling price of land ; in so far as the land is owned by farmers, the practice of maintaining these private locations is widely condemned. The solution of the problem is easy in Mashonaland, and there the commissioners recommend that it shall come to an end within three years ; but in Matabeleland, where the system is most deeply rooted, six years are to be allowed in some districts, while in others the squatters are to remain where they are provided no

## South Africa

new squatters are admitted. Squatters are to remain on Crown Lands till the land is alienated, and strict regulations are to be enforced in the Native Purchase Areas against the growth of the practice among land-owning natives.

The scheme thus broadly outlined is not an attempt at rigid segregation, for that is neither possible nor desirable. But it is an honest and adequate attempt to profit by Rhodesian and South African experience; to avoid the hasty break-up of the tribal system with its salutary checks and moral sanctions and the consequent flooding of the European areas with a black proletariat. At the same time, an outlet on the land is offered to progressive natives in the Purchase Areas. Those areas are the key to the position. Natives are still to be confined to locations in the European towns, or to the village settlements which are to be made in addition near by, or to the suburban areas, with more of the amenities of life than are to be found in locations, which are to be set aside for progressive natives in the white man's townships. But there are to be purely Bantu towns in the Purchase Areas and, in due time, Native Councils are to be formed there on the lines worked out in the Transkeian districts of the Cape, and carried further afield in the Union by Smuts's Native Councils Act of 1920.

By the time this article reaches London, the Rhodesian legislature will have met to consider the Report. A great opportunity is presented to it. It will be the hope of all well-wishers of Southern Rhodesia and, indeed, of all Southern Africa, that it will rise to the height of that opportunity.

South Africa. April 22, 1927.

## NEW ZEALAND

### I. DOMESTIC MATTERS

#### *The Balance of Trade*

THE turn of the year, the return of the Prime Minister from the Imperial Conference, and the cloudy state of affairs in the Far East have together given New Zealand ground for much useful thinking. Some time before the end of 1926 there was evidence of a marked financial stringency throughout the Dominion. Usually the spring and early summer are the quiet time of the year in New Zealand. In the producing industries there is little money coming in by way of revenue. The milk cheques for the early part of the new season are generally applied in liquidation of advances made by the banks in the "off season" when the factories are closed down. Early wool clips find their way into the saleroom in November, but the revenue from this source is not very widely distributed, and, generally speaking, it makes itself felt first in the wholesale channels.

When it was suggested a year ago that the Dominion would probably have to face some years of lower prices for primary produce the idea was not taken seriously, for a whole generation of our farmers has never known anything but rising prices and increasing land values. To-day, however, the truth of the prognostication is obvious. The declared value of the exports from New Zealand for the twelve months ended December 31, 1926, was £45,275,575, as compared with £55,262,272 for the previous twelve months,

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a shrinkage of almost ten millions in the income of the Dominion from its main source. The woolgrowers alone, in the calendar year, received £11,830,000 for their clip, as compared with £17,738,000 in 1925. The producers of butter and cheese received £14,634,000, as compared with £16,040,000. Unfortunately, that is not the whole story, for New Zealand has continued to buy abroad at the old rate. Whereas in 1925 exports more than paid for imports—there was actually a credit balance on the exchange of £4,235,761—they were last year not sufficient by £3,885,000 to balance our bill for purchases abroad.\* Commenting upon this position at the annual meeting of the Dominion Drapers, Clothiers and Boot Retailers Federation, the president, Mr. P. L. Halsted, remarked :

We are now spending in excess of our income, a very unhealthy state of affairs. Are some of us not carrying heavier stocks than our turnover warrants? If we are, we are not only doing the country harm, but we are injuring ourselves. Big stocks out of proportion to turnover are uneconomic, and must inevitably result in loss to those carrying them.†

There is, of course, nothing new in this. It is quite a normal feature of the balance of trade. Still, it is not pleasant reading. Only twice in the present century (1908 and 1920) had the balance gone decisively against us, and on each occasion the disadvantage was only for a single year. Whether such rapid recoveries are altogether a good thing is open to question. The constant rise in prices and land values up to 1920 and the repeated increases in wages granted by the Arbitration Court have together produced a standard of living that is far removed indeed from the Spartan régime of the pioneers. It is not surprising to find Mr. A. D. McLeod, the Minister of Lands, who is a farmer himself and has known the lean days of the 'eighties and early 'nineties, uttering a warning to young people on the subject. "In every section of the com-

\* *Evening Post*, January 4, 1927. † *The Dominion*, February 10, 1927.

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munity," he said at Christchurch, "there is an astounding amount of thriftlessness, with which no Government can keep pace. People do not seem to provide for even one rainy day. Unless people make provision for the future no Government can do anything."\*

### *Protection for Industries*

Manufacturers are strenuously demanding greater protection for their output, and their demand is strengthened by the argument put forward by the Auckland Chamber of Commerce that the failure of these industries to expand further is one of the main causes of unemployment. To this the *Sun* (Christchurch) adds (February 8, 1927) that "the entry of specialist tradesmen, needed by our secondary industries, can neither cause nor aggravate unemployment, but is, on the contrary, greatly to our advantage." Several of the large centres of population report that many young people leaving school are unable to get themselves apprenticed to trades. The *Sun* says (January 14, 1927):

In view of the slow development of manufacturing industries, it is not surprising that boys experience great difficulty in securing apprenticeship to skilled trades. The plain truth, of course, is that the secondary industries cannot absorb all the sturdy and intelligent lads who want to learn a trade. The problem of apprenticeship would solve itself on proper lines if the development of manufacturing industries were speeded up.

All these demands for "speeding up" manufactures point clearly to one solution, greater tariff protection, which is in many quarters regarded as a panacea for our ills. The demand for greater protection has been made in pronounced terms by manufacturers all over the country, and to-day they find strange voices raised in support of them; here the sawmillers threatened by importation from the Pacific slope of North America, and there the farmers suffering from the importation of Australian wheat. The New

\* *The Press* (Christchurch), February 10, 1927.

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Zealand Preference League complains that articles made in New Zealand are passed over in favour of imported lines.\* Another complaint at the Auckland Chamber of Commerce is that the woollen mills of New Zealand, which produce goods of the very highest quality, are four times too many for the requirements of the local market. And we know that the freezing works are so numerous that they could execute in two or three months the whole of the year's freezing. There is thus to be considered not merely the competition of cheaper commodities imported from abroad, but the over-capitalisation of some of our own industries.

Farmers as a rule are free traders, and there is no sign of the New Zealand Farmers' Union, the most powerful organisation of the agrarian interest, departing from this traditional plank of its platform; yet in December a meeting of farmers and business men in the North Island town of Wanganui called upon the Government to find new markets for our produce, "even if tariff bargains are required to secure them." At the same time the wheat growers of Canterbury province in the South Island were insistently demanding an actual embargo against flour from Australia. All these incidents together point to a marked recrudescence of the age-old tariff question. Recognising the insistence of the demand, the Government has appointed a departmental committee, under the chairmanship of the Controller of Customs, to suggest amendments of the tariff.

In October, when the Wellington Provincial Industrial Association pressed the Minister of Lands (who is also Minister of Industries and Commerce) for higher protection, Mr. McLeod warned them emphatically that any movement towards a general increase of customs which did not take full cognisance of the position of the primary producers was a very precarious measure to propose:

We are going to get nowhere (said Mr. McLeod) unless we get the co-operation of the primary producer and the manufacturer. If

\* *Auckland Star*, February 8, 1927.



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further protection of your industries means added costs to the primary industries, then there is going to be a big dose of trouble. I am in a position to know that to-day the farmer is struggling under a heavy load, and any further burden at this present juncture will, unless the overseas markets improve, bring about such a crash as will mean hard times for every man, woman and child in the country for years to come.

Following on this, the president of the Industrial Association of New Zealand offered a pill in sugared form to the farmer by suggesting that he would find the local market was his best outlet. Already, he said, New Zealand used twice as much butter as was exported. Mr. W. Downie Stewart, the Minister of Customs, is too good an economist to allow that plea to go unchallenged. The population of New Zealand would have to increase fourfold, he said, before the margin of butter for export would disappear, and in the meantime New Zealand was dependent for her wealth upon the surplus she was able to export :

The farmer will not be readily convinced (he said) that he is not menaced by the protection of secondary industries or persuaded that the raising of the tariff is going to assist him to dispose of his products in a free market. If they went forward with banners flying they might not achieve the results they hoped for, and they would find those opposed to them mobilised and marshalled.\*

A week or two later Mr. Stewart spoke quite sympathetically to a deputation from the Farmers' Union, which asked for protection for the Canterbury wheat growers. When the fixed price, which was adopted after the war for their benefit, was finally abolished a year or two ago the Government washed its hands of the device with unfeigned relief.

### *The Fixing of Wages*

The high wages in our protected manufactures are reflected in high costs in the unprotected primary industries, and just now the producer cannot see the compen-

\* *The Press* (Christchurch), October 14, 1926.

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sating advantage. One thing that appears to stand out, says the *Evening Star* (Dunedin, December 9, 1926), is that in the attempt to solve the economic puzzle the interaction as between the customs tariff and the Arbitration Court will have to be considered. Our compulsory arbitration was introduced primarily to settle hours and wages, but the Court has developed into a regulative assembly for the adjustment of all industrial economic conditions in New Zealand.

An Australian writer, Mr. Henry Barkley, in the *Economic Record* for November 1926, suggests that the only practical solution is for the whole community to fluctuate with the primary producer, whose standard of comfort is directly governed by the season's bounty. But how would the workers receive such a proposal?

A judgment delivered by Mr. Justice Frazer in the Arbitration Court on March 4, 1927, bears on this aspect of the problem. He says:

The primary producers of this Dominion are in the unfortunate position of having to pay approximately 60 per cent. above 1914 prices for their purchases, while they receive a considerably smaller percentage increase over their 1914 export prices. The position of the farmer is less satisfactory than it was in 1924 and 1925, but considerably better than it was in 1922. I am prepared to concede that the difficulties of the farmers are not now due altogether to inflated land values, but there does not seem to be cause for pessimism in regard to the movement of export prices. All over the world farm prices dropped in 1921 and 1922, while prices of manufactures remained high. Since then, farm prices have been alternately high and low, with fairly rapid fluctuations, while the prices of manufactures have shown a steady downward trend. All economic history justifies the prediction that, sooner or later, prices of farm products and prices of manufactures will meet on a common level. While I have every sympathy with the farmers in their present position, I cannot allow that consideration to influence my judgment in the direction of reducing the standard of living of the freezing trades workers below the general level of similar workers. . . . Wages must, in the common interest, be kept stable over fairly long periods. They cannot fluctuate upwards or downwards as rapidly or as violently as the export prices of primary

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products, and they are fixed in this country at a level which is not above that which can be paid at the present time. Labour cannot be regarded as a mere commodity, but must, if at all possible, be paid a wage consonant with the reasonable requirements of civilised life. The present increases that I have thought proper to award will probably not affect the farmer at all. It is undeniably true that a number of freezing companies are not making any profits, but it is impossible to avoid the conclusion that this is due in the majority of cases to over-capitalisation during the war period. Where an industry is in difficulties owing to over-capitalisation, an industrial court should not reduce the wages standard of the workers for that reason, unless that standard is unduly high in relation to the general standard of wages, but it should leave the adjustment of the difficulties to the operation of economic forces.

As to the proposal for a return to the old conditions of free contract and competitive labour output, His Honour administers a rebuke to those who have demanded it at this juncture :

I feel impelled to make reference to the numerous resolutions that have been passed by different bodies of farmers during the pendency of the present proceedings calling on the Government to introduce legislation for the repeal of the Arbitration Act. It is, of course, quite proper and legitimate for interested bodies to agitate for the repeal of an Act or the abolition of a Court, but it is unfortunate that they should have chosen a time when an important case was pending to pass the resolutions in question. It may have been only a coincidence, but it is to be regretted that at such a time any concerted action should have taken place that might have had the appearance of being intended to influence or intimidate the Court.

Other authorities have given the farmer the same advice as Mr. Justice Frazer offers : " more scientific methods." And so well has it sunk in that the two most jealous provinces in the Dominion, Auckland and Wellington, have so far composed their differences as to establish a joint council for the control of the new agricultural college, and the new Department of Industrial and Scientific Research has started with a board in which the agrarian interest is strongly represented. During and since the war

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much land in the Dominion has admittedly gone back in condition, largely owing to the high prices paid for it and the high cost of labour. To-day it seems as if the average holding is too large in size for the energies of the average farmer. In a speech in the spring, the Minister of Lands remarked that there were hundreds of holdings where men were trying to develop areas far too large for them. His colleague, Mr. O. Hawken, the Minister of Agriculture, also a North Island farmer, endorsed this. "I am one of those," he said, "who believe that the country is undermanned." \*

### *Dairy Export Control*

An important episode in the economic position has been enacted in the last week or two in connection with the marketing of New Zealand butter and cheese in London. The statutory board, which was set up a little more than a year ago to control the export of dairy produce, took a rather more aggressive attitude than did the similar board set up earlier to control the export of meat. When, after a bitter controversy in New Zealand and London, the Dairy Control Board in August assumed absolute control of exported produce, there was widespread uneasiness as to the result. When the Board took control the price of New Zealand butter stood at 136s. to 138s. per cwt., and thenceforward the market rose steadily, until on February 14 it stood at 172s. to 176s. It then gradually receded; but on March 10, when matters here reached their crisis, the fall was only 14s. to 16s. As regards the stocks on hand in London also, they amounted to 400,000 boxes, whereas last July, when the market was entirely free, there were 650,000 boxes in the hands of factories and merchants. The fall in price since the peak in February this year was in reality much smaller than in the last three years.

\* *Evening Star*, November 9, 1926.

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It is, of course, patent that the operation of supply and demand, the loss of purchasing power of the British public due to the strike, and the general fall in price levels which has been in progress for some time past, were all contributory factors in producing this position. Nevertheless, the combination of piling stocks and a stagnant and hostile market seemed, in the atmosphere of anxiety and dispute, to justify the critics of the Board's attempt to fix prices. While in England Mr. Coates, our Prime Minister, sent a cablegram to New Zealand on October 27, in which he stated that he had been much impressed with "the importance of the principle that to ensure good business in commercial life you must have goodwill." That was regarded in "control" quarters as an attempt on the part of the Prime Minister to interfere in the interests of the firms which had been in the habit of handling our produce, and as such, it was very strongly resented. The sequel, however, seemed to justify the intervention, inasmuch as the prices of our produce fell steadily, until the control prices quoted on March 10 were 158s. to 160s. for butter, and 84s. to 85s. for cheese; and yet "despite this reduction, the demand is very slow." \*

The Prime Minister, in a statement published in the *Evening Post* on March 12, said :

I fully recognise that in connection with our dairy produce there is ample scope for the Board to see that a high standard of quality is maintained, to arrange transport, insurance and storage charges, and to supervise marketing in the Old World. There is no necessity to make any change in these respects, but I would point out that how far these operations should go is for the producers themselves to decide.

The Dairy Control Board on March 14 discussed the position and decided, by a majority of six to three, "that all resolutions and restrictions dealing with the fixing of prices are hereby rescinded." The chairman of the Board contended that the Board's policy was for the good

\* Press Association cablegram, March 11, 1927.

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of the industry, and ascribed its defeat to three main causes :

(a) The divisions amongst producers themselves in New Zealand, and the consistent antipathetic propaganda indulged in here. (b) The proprietary and trade propaganda from those resentful of monetary loss. (c) The divided counsels of the London agency, and the dissension created by the Government representative thereon with his definite opposition to the instructions of the Board to apply its policy. This was gravely accentuated at the time of the Prime Minister's visit to London in the encouragement given to the belief of the trade that something would be done by the Government. The hope of influencing the Government definitely invited an intensification of the trade opposition.

It is impossible so to isolate causes as to be able to declare definitely what part the policy of the Board played in producing the present stagnation in our produce, and what happens subsequently will not throw any light on the question.

The reversal of policy has not apparently calmed the controversy in the ranks of the dairy farmers themselves, but it has certainly given satisfaction to the public. The press comments almost unanimously in a spirit of relief from the anxiety which reigned. The remarks of the *Evening Post* (Wellington, March 15, 1927) may be taken as typical of many of the comments on the incident :

The difficult pass into which it (the Board) has brought the producers, and from which it is now endeavouring to extricate them, should be well considered by the Government and by future Governments before acceding to the demands of any section of the community for special statutory powers. Such legislation, it is shown, may be used, and that vainly, to ride roughshod over well-established economic principles with disastrous results. New Zealand has had its lesson in this matter, and should profit by it. It has learned, or should learn, the futility of preaching "Buy British goods," while the seller is seeking to take a stranglehold over his customers, affronting traders and consumers alike.

### *The Unemployment Problem*

The amount of unemployment in the Dominion this year has brought the Government under rather keen,



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if not altogether deserved, censure for its activity in bringing migrants out from Great Britain. Unemployment is a very difficult phenomenon to measure with any statistical exactitude. So much depends upon the method of measurement and so much again on the disposition of the men who are on the verge of unemployment. It is, however, generally admitted that there is considerably more than usual this year. On October 7, Mr. Downie Stewart, the acting Prime Minister, said that the unemployment this year was abnormal, and it had continued acute much longer than usual. But he added, "the more the Government promises work, the longer will the problem remain."

Feeling the problem to be more pressing than usual, the acting Prime Minister cabled to the Prime Minister shortly after his arrival in London asking him to retard the rate of migration from Britain for a few months in order to give relief.\* But, while admitting this, Mr. Downie Stewart insisted that, by comparison with other countries, New Zealand is experiencing a very small percentage of unemployment. By relief works the Government has absorbed about 2,000 men more than usual, and the Prime Minister announced on March 9 the arrangements which the Government proposes for the employment of 2,000 to 2,500 extra men on works which are being undertaken in advance of their usual time in order to provide employment. The wages offered are calculated to return 12s. a day to married men of average ability and 9s. to single men. This is below the usual scale of the Public Works Department, because the Government feels that "with the object of limiting the employment available to cases of actual necessity it would not be right to offer wages for these workers equal to those paid to regular employees." Moreover, the wage should not be high enough to induce those who are normally seasonal workers to remain with the Government when their customary

\* Press Association, February 8, 1927.



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employment is again available. The work will be offered on the co-operative contract system, which was an important feature of Government engineering in the early years of the century. Workers will thus be able to make more than the rates upon which the work is based.\* Experience in New Zealand both in Government and private works has demonstrated that often very good money is made on co-operative contracts. The real drawback is evident later when the more efficient men refuse to admit medium or inefficient men to their gangs, or when the price paid for the work tends to be modified by the profits made by the more efficient gangs. With a temporary experiment, however, this is not likely to be felt.

In view of the depression it is not surprising that the Government should be taken to task for the activity of its immigration policy. Never since the days of the Vogel policy in the 'seventies have so many people been coming into the country. The Government claims that a large percentage of those coming into New Zealand have been found jobs, but even if this is correct it can hardly be questioned that at a time of falling prices and financial stringency the arrival of thousands of newcomers must intensify the depression. Last year 12,200 assisted immigrants reached our shores. It is not an easy matter to cry halt and expect a halt at once, for the plans of immigrants take months and years to mature and, once embarked upon, they cannot easily be abandoned. It is pleasing to note that, although the Government is being criticised for bringing so many people out at such a time, there is no disposition to complain that it is co-operating so heartily in the great Empire Settlement Scheme. On the other hand, it is accepted that we should welcome here a fair proportion of Britain's surplus. Even the Labour organisations have not been nearly so strong in their opposition as was formerly the case. It is, however, very doubtful whether while the depression lasts the "absorptive capacity" of New Zealand

\* *The Dominion*, March 10, 1927.

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will be maintained as high as the present standard of 12,000 immigrants a year.

### II. IMPERIAL AFFAIRS

#### *The Dominion Status*

IT was expected that Mr. Coates on his return from London would throw some additional light on the results of the Conference, and though this hope was not fulfilled by any startling new disclosures, the Prime Minister did make some interesting utterances. Speaking to the *Dominion* (February 15, 1927), Mr. Coates said :—

I do affirm that the Conference has resulted in an entire elimination of misunderstandings, and in the creation of a feeling of the utmost goodwill in all parts of the Empire—a goodwill that has given rise to a determination in all quarters to maintain intact at the present, and to increase in strength as the years go by, the ties of loyalty to a common throne and common institutions that bind together our various peoples as one. This goodwill was, in my opinion, the outstanding feature of the Conference. It would not be possible to gather together a group of men more firmly determined to find a common solution of all questions.

By virtue of mutual understanding, clear thinking, and careful expression, it has been possible to give to the British peoples and to the world a definite and explicit statement of the true relationship of the component parts of the British Empire, a statement that allows little room for misunderstanding and contains no possible germ of discontent. As always, anything in the nature of a written or fixed constitution has been carefully avoided—no rigid structure can make sufficient allowance for the inevitable play of part on part, for the continual and almost imperceptible adjustment that our organisation requires. The general nature of our association, the entire absence of any domination by one part over any other, the dependence upon goodwill, upon pride, and upon the widest freedom, rather than upon law or force, have, however, been stated in the clearest and most explicit terms. Combined with this freedom, however, and as a necessary corollary to it, is a full understanding of the fact that the best interest of each portion of the Empire lies in its preservation intact, and a firm determination to do all that men can do to this end for the peace and prosperity of us all.

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### *Naval Defence*

On the question of Empire Defence there appears to be general satisfaction with Mr. Coates's declaration that he will propose something further to Parliament. It is not so much a larger navy that is aimed at as a fairer distribution of the burden, which now bears so heavily upon the taxpayer of Britain.\*

I did express my conviction (said Mr. Coates) that it was desirable that the co-operation of the self-governing Dominions in naval defence should be as great as possible in order that the financial burdens might be more equitably spread over the Empire, and with the object of providing adequate protection for our sea-borne trade and commerce.

Mr. Bruce on his return home extended an invitation to New Zealand to a conference for the discussion of naval co-operation between the Dominion and the Commonwealth. It is too early for this to be dealt with yet, but it has been noted with satisfaction in this Dominion and will probably bear some fruit, if not immediately. The course of events in the Far East will certainly tend to strengthen Mr. Coates's hand. New Zealand after the Conference of 1923 approved the Singapore base project, and a portion of the increased naval vote made in that year was earmarked for this purpose. Recent developments in China have closely touched public opinion here, and the press has shown quite a remarkable interest in them. There is no question now of the importance to which Far Eastern politics have attained in public estimation in New Zealand. The Dominion has been unofficially represented at five or six Pacific conferences at which our delegates have come into close touch with those of the Far

\* Mr. Coates announced on April 24 that the Government proposed to ask Parliament to sanction a contribution of £1,000,000 towards the cost of the Singapore base and to make other provision for increasing New Zealand's share in naval defence.

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East, and problems of racial and economic conflict are now being considered in a new spirit of personal interest.

The Chinese trouble has brought into relief once more the importance of the late Anglo-Japanese alliance and some regrets that it has ceased to exist. The *Evening Post* (January 26, 1927) is prompted to ask some pertinent questions:

No New Zealander who saw our Expeditionary Force leave Wellington Harbour with a Japanese cruiser leading the escort is likely to forget what the Empire owed to the alliance with Japan in its time of greatest need. Why was an alliance which had worked harmoniously with such happy results for the contracting parties and for the world abandoned when victory had been won? And what has the Empire got in its place? At a time when the peril in the Far East is being indefinitely aggravated by the aloofness of Japan, and might have been averted by her co-operation, these questions demand an answer. And what of the Power to whose kinship and friendship we sacrificed our alliance with Japan? There is as yet no sign that we may expect even the moral support of America in our grave peril.

The new spirit in British policy towards China rhymes well with the sentiments of New Zealand, not only from the intrinsic facts of the case, but also because it seems to arise from a closer attention on the part of the Foreign Office to Far Eastern questions generally. It is an official acknowledgment of the new centre of gravity in the Pacific.

Yet another cause for satisfaction is the appointment of a Royal Commission to investigate the condition of the British settlers in the New Hebrides. New Zealand's interest in that group is rather religious than economic, for the New Zealand churches have for decades maintained active missions in the New Hebrides. Australia's interest is—from the White Australia standpoint—economic and national, whereas Britain always seems to have approached this knotty and critical problem with the academic detachment of the official. If the commission leads to a new conference with France and an amended convention the

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Imperial Conference of 1926 will have borne some valuable fruit for the future peace of both the Pacific and Europe. For years past the New Hebrides has been a source of potential difference with France.

### *The Royal Tour*

The Duke and Duchess of York arrived in Auckland on February 22, and sailed from Stewart Island on March 22. Their visit to the Dominion has been an unqualified success. The Duke, throughout a strenuous tour, has shown a keen and kindly interest in every aspect of the Dominion's life, and the people of the North Island took the Duchess at once to their hearts. Her charm captivated everybody, and the indisposition which prevented her from completing the tour of the South Island was a cause of the keenest disappointment. The Duke was most happy in his speeches, and entered into everything no less heartily, if rather more seriously, than his brother seven years ago. In the happiest possible manner the Duke and Duchess have drawn closer the great constitutional bond which ties the component parts of the Empire together, the personal factor of the Royal Family.

*The Press*, Christchurch (March 12, 1927), thus expresses it :

In these days the Crown has an aura of Empire that it did not have of old. . . We have only to think of a president living in Buckingham Palace to realise what a vital difference the establishment of a republic would make. To the man of Calgary, Wellington, Melbourne and Durban, to say nothing of the Indian rajah, a president would be a shadowy, bloodless and uninspiring head to an Empire. He would have no substance, no traditions, no immemorial appeal. All this operates powerfully, inarticulately, in our minds when we welcome the King's son and his wife for their own sake and for the sake of their august position in the Imperial system.

New Zealand. March 29, 1927.

